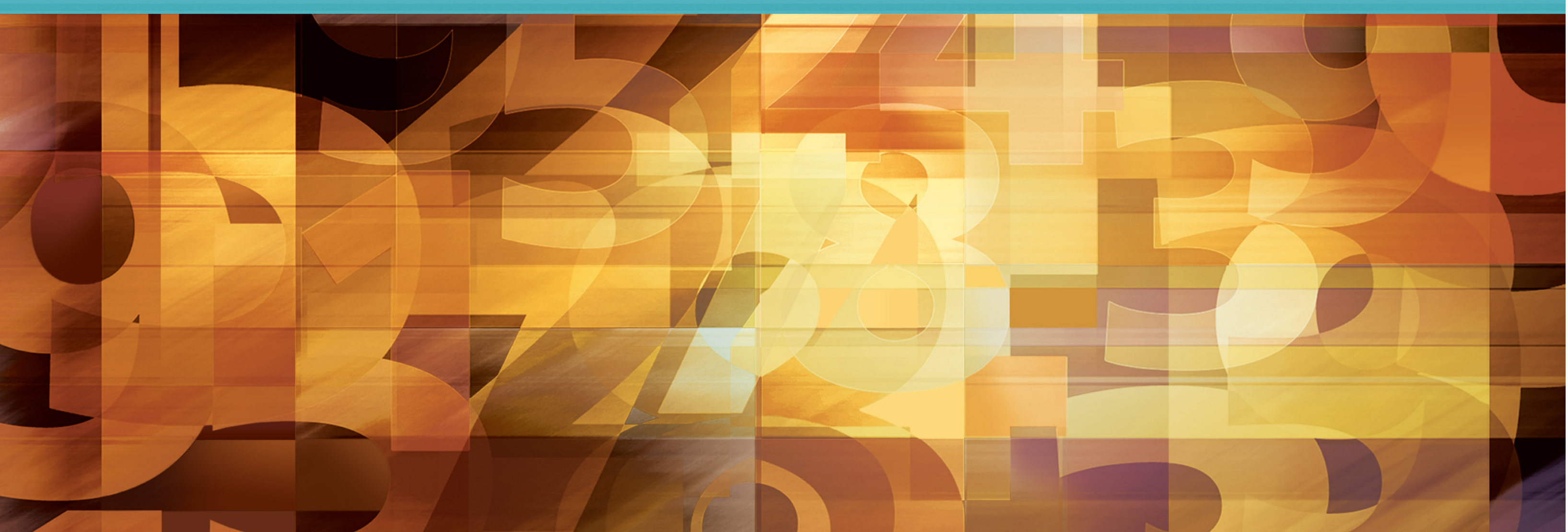
Annual Report on Exchange Arrangements and Exchange Restrictions 2012



International Monetary Fund

Annual Report on Exchange Arrangements and Exchange Restrictions 2012

CD-ROM Edition including Overview

International Monetary Fund

Cover design: IMF, Multimedia Services Division
Text design: JetSet Communications, Inc.

Cataloging-in-Publication Data

International Monetary Fund.

Annual Report on exchange arrangements and exchange restrictions

[electronic resources]. 1979–

Continues: International Monetary Fund. Annual Report on exchange restrictions, 1950–1978

1. Foreign exchange—Law and Legislation—Periodicals.2. Foreign exchange administration—Periodicals. 1. Title

K4440.A13 157 2007 341.7’5179-644506
ISSN 0250-7366
ISBN 978-1-61635-408-4

Please send orders to:
International Monetary Fund, Publication Services
P.O. Box 92780, Washington, D.C. 20090, U.S.A.
Tel.: (202) 623-7430 Fax: (202) 623-7201
E-mail: publications@imf.org
www.imfbookstore.org
www.elibrary.imf.org

Contents

Country Chapters on CD-ROM

Note: The term "country," as used in this publication, does not in all cases refer to a territorial entity that is a state as understood by international law and practice; the term also covers some territorial entities that are not states but for which statistical data are maintained and provided internationally on a separate and independent basis.

Latvia
Lebanon
Lesotho
Liberia
Libya
Lithuania
Luxembourg
Former Yugoslav Republic of Macedonia
Madagascar
Malawi
Malaysia
Maldives
Mali
Malta
Marshall Islands
Mauritania
Mauritius
Mexico
Micronesia
Moldova
Mongolia
Montenegro
Morocco
Mozambique
Myanmar
Namibia
Nepal
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman
Pakistan
Palau
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russia
Rwanda
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
São Tomé and Príncipe
Saudi Arabia
Senegal
Serbia
Seychelles
Sierra Leone
Singapore
Slovak Republic
Slovenia
Solomon Islands
Somalia
South Africa
Spain
Sri Lanka
Sudan
Suriname
Swaziland
Sweden
Switzerland
Syria
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Tuvalu
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Yemen
Zambia
Zimbabwe

Preface

The *Annual Report on Exchange Arrangements and Exchange Restrictions* (AREAER) has been published by the IMF since 1950. It draws on information available to the IMF from a number of sources, including that provided in the course of official staff visits to member countries, and has been prepared in close consultation with national authorities.

This project was coordinated in the Monetary and Capital Markets Department by a staff team directed by Karl F. Habermeier and comprising Roy Baban, Mehmet Ziya Gorpe, Ivett Jamborne, and Annamaria Kokenyne. The Special Topic was prepared by Tahsin Saadi and Tao Sun. The AREAER draws on the specialized contribution of that department (for specific countries), with assistance from staff members of the IMF's five area departments, together with staff of other departments. The report was edited and produced by Linda Griffin Kean of the External Relations Department with assistance from Lucy Scott Morales.

Abbreviations

AANZFTA	ASEAN–Australia–New Zealand Free Trade Area
ACU	Asian Clearing Union (Bangladesh, Bhutan, India, Islamic Republic of Iran, Myanmar, Nepal, Pakistan, Sri Lanka)
AD	Authorized dealer
AFTA	ASEAN Free Trade Area (see ASEAN, below)
AGOA	African Growth and Opportunity Act (United States)
AMU	Asian monetary unit
ASEAN	Association of Southeast Asian Nations (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand)
BCEAO	Central Bank of West African States (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo)
BEAC	Bank of Central African States (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon)
CACM	Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua)
CAEMC	Central African Economic and Monetary Community (members of the BEAC)
CAFTA	Central American Free Trade Agreement
CAP	Common agricultural policy (of the EU)
CARICOM	Caribbean Community and Common Market (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago); The Bahamas is also a member of CARICOM, but it does not participate in the Common Market
CB	Central bank
CEFTA	Central European Free Trade Area (Bulgaria, Hungary, Poland, Romania, Slovak Republic, Slovenia)
CEPGL	Economic Community of the Great Lakes Countries (Burundi, Democratic Republic of the Congo, Rwanda)
CET	Common external tariff
CFA	Communauté financière d'Afrique (administered by the BCEAO) and Coopération financière en Afrique centrale (administered by the BEAC)
CIMA Code	Chartered Institute of Management Accountants Code of Ethics for Professional Accountants
CIS	Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan)
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CMA	Common Monetary Area (a single exchange control territory comprising Lesotho, Namibia, South Africa, and Swaziland)
CMEA	Council for Mutual Economic Assistance (dissolved; formerly Bulgaria, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Mongolia, Poland, Romania, U.S.S.R., Vietnam)

Note: This list does not include acronyms of purely national institutions mentioned in the country chapters.

COMESA	Common Market for Eastern and Southern Africa (Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe)
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
EC	European Council (Council of the European Union)
ECB	European Central Bank
ECCB	Eastern Caribbean Central Bank (Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines)
ECCU	Eastern Caribbean Currency Union
ECOWAS	Economic Community of West African States (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo)
ECSC	European Coal and Steel Community
EEA	European Economic Area
EFSF	European Financial Stability Facility
EFSM	European Financial Stability Mechanism
EFTA	European Free Trade Association (Iceland, Liechtenstein, Norway, Switzerland)
EIB	European Investment Bank
EMU	European Economic and Monetary Union (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)
EPZ	Export processing zone
ERM	Exchange rate mechanism (of the European monetary system)
EU	European Union (formerly European Community); Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom)
FATF	Financial Action Task Force on Money Laundering (of the OECD)
FDI	Foreign direct investment
FEC	Foreign exchange certificate
FSU	Former Soviet Union
G7	Group of Seven advanced economies (Canada, France, Germany, Italy, Japan, United Kingdom, United States)
GAFTA	Greater Arab Free Trade Agreement
GCC	Gulf Cooperation Council (Cooperation Council for the Arab States of the Gulf; Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)
GSP	Generalized System of Preferences
IBRD	International Bank for Reconstruction and Development (World Bank)
IMF	International Monetary Fund
LAIA	Latin American Integration Association (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela)
LC	Letter of credit
LIBID	London interbank bid rate

LIBOR	London interbank offered rate
MERCOSUR	Southern Cone Common Market (Argentina, Brazil, Paraguay, Uruguay)
MFN	Most favored nation
MOF	Ministry of Finance
NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Cooperation and Development
OECS	Organization of Eastern Caribbean States (Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines)
OGL	Open general license
OTC	Over the counter
PACER	Pacific Agreement on Closer Economic Relations (of the Pacific Islands Forum; Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)
PICTA	Pacific Island Countries Trade Agreement (of the Pacific Islands Forum); Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)
RCPSFM	Regional Council on Public Savings and Financial Markets (an institution of WAEMU countries that is involved in issuance and marketing of securities authorization)
RIFF	Regional Integration Facilitation Forum (formerly Cross-Border Initiative); Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe)
SACU	Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, Swaziland)
SADC	Southern Africa Development Community (Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe)
SDR	Special drawing right
UCITS	Undertakings for the Collective Investment of Transferable Securities
UDEAC	Central African Customs and Economic Union (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon)
UN	United Nations
UNSC	UN Security Council
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union (formerly WAMU; members of the BCEAO)
WAMA	West African Monetary Agency (formerly WACH)
WAMZ	West African Monetary Zone
W-ERM II	Exchange rate mechanism (of the WAMZ)
WTO	World Trade Organization

Overview

This volume (63rd issue) of the *Annual Report on Exchange Arrangements and Exchange Restrictions* (AREAER) provides a description of the foreign exchange arrangements, exchange and trade systems, and capital controls of all IMF member countries.[1] The AREAER reports on restrictions in effect under Article XIV, Section 2, of the IMF's Articles of Agreement in accordance with Section 3 of Article XIV, which mandates annual reports on such restrictions. It also provides information related to Paragraph 16 of the 2007 Surveillance Decision, which restates the obligation under the IMF's Articles of Agreement of each member country to notify the IMF of the exchange arrangement it intends to apply and of any changes in the arrangement.

The AREAER attempts to provide a comprehensive description of exchange and trade systems, going beyond exchange restrictions or exchange controls. In addition to information related to restrictions on current international payments and transfers and multiple currency practices (MCPs) maintained under Article XIV of the IMF's Articles of Agreement, it includes restrictions and MCPs subject to the IMF's jurisdiction in accordance with Article VIII, Sections 2(a) and 3.[2] The report also provides information on the operation of foreign exchange markets and controls on international trade. It describes controls on capital transactions and measures implemented in the financial sector, including prudential measures. In addition, it reports on exchange measures imposed by member countries for security reasons, including those notified to the IMF in accordance with relevant decisions by the IMF Executive Board.[3]

This report provides detailed information on the de jure and de facto exchange rate arrangements of member countries. The de jure arrangements are reported as described by the country authorities. The de facto exchange rate arrangements are classified into 10 categories.[4] The classification is based on the information available on members' de facto arrangements, as analyzed by the IMF staff, which may differ from countries' officially announced (de jure) arrangements. The methodology and the characteristics of the categories are described in the Compilation Guide that follows this Overview.[5]

The AREAER aims to provide timely information. In general, the report includes a description of exchange and trade systems as of December 31, 2011. However, changes in member countries' exchange rate arrangements are reflected as of April 30, 2012, and in some cases, reference is made to other significant developments through July 31, 2012.

[1] The IMF has 188 member countries, but since South Sudan joined the IMF only in April 2012, information on its exchange regime will be first reported in the 2013 AREAER. In addition to 187 IMF member countries, this report includes information on Hong Kong SAR (People's Republic of China) as well as Aruba and Curaçao and Sint Maarten (all Kingdom of the Netherlands).

[2] The information on restrictions and MCPs consists of verbatim quotes from each economy's most recent published IMF staff report as of December 31, 2011, and represents the views of the IMF staff, which may not necessarily have been endorsed by the IMF Executive Board. In cases of unpublished IMF staff reports, the quotes have been included verbatim in the AREAER with the express consent of the member country. In the absence of such consent, the relevant information is reported as "not publicly available." If countries implement changes to these restrictions after the relevant IMF report has been issued, these changes will be reflected in a subsequent issue of the AREAER, covering the year during which the IMF staff report with information on such changes is issued.

[3] The information on exchange measures imposed for security reasons is based solely on information provided by country authorities.

[4] The categories of exchange rate arrangements are (1) hard pegs comprising (a) exchange arrangements with no separate legal tender and (b) currency board arrangements; (2) soft pegs consisting of (a) conventional pegged arrangements, (b) pegged exchange rates within horizontal bands, (c) crawling pegs, (d) stabilized arrangements, and (e) crawl-like arrangements; (3) floating regimes, under which the exchange rate is market determined and characterized as (a) floating or (b) free floating; and (4) a residual category, other managed arrangements. These categories are based on the flexibility of the arrangement and the way it operates in practice—that is, the de facto regime is described, rather than the de jure or official description of the arrangement..

[5] Effective February 2, 2009, the classification methodology was revised to allow for greater consistency and objectivity of classifications across countries and improved transparency in the context of the IMF's bilateral and multilateral surveillance.

To facilitate easy comparison, a single table provides an overview of the characteristics of the exchange and trade systems of all IMF member countries; see the Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in Member Countries. The Country Table Matrix lists the categories used in the database, and the Compilation Guide includes definitions and explanations used by member countries to report the data and for use in interpreting this report.

The AREAER is available in several formats. This summary Overview of the year's developments—together with the Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in Member Countries, the Country Table Matrix, and the Compilation Guide—is available in print and online, and the detailed information for each of the 190 member countries and territories is included on a CD enclosed with the printed summary and in an online database, AREAER Online. In addition to the information on the exchange and trade system of IMF member countries in 2011, AREAER Online contains historical data published in previous issues of the AREAER. It is searchable by year, country, and category of measure and allows cross-country comparisons for time series.[6]

Overall Developments during 2011[7]

The general trend toward foreign exchange liberalization, despite some tightening to address macrofinancial effects of capital flow volatility, continued during 2011 amid further significant strengthening of the financial sector regulatory framework. Global economic and financial developments shaped the trends in member countries' exchange and trade systems. The global recovery suffered a major setback in late 2011 amid concerns about intensifying strains in the euro area and greater uncertainty about the growth prospects of major emerging market economies affecting international capital flows. Countries continued to roll back restrictions and controls on foreign exchange transactions, but external developments created difficulties for managing exchange rate arrangements, as indicated by a marked shift to transitional exchange rate arrangements. Lingering concerns about the stability of global financial systems and lessons learned from the crisis motivated further tightening of financial sector regulations, with countries moving ahead to modernize their financial sector regulatory frameworks.

The 2012 AREAER documents the following major trends and significant developments:

- The number of IMF member countries increased by one, to 188, when South Sudan joined the IMF on April 18, 2012, after becoming an independent country on July 9, 2011.
- There was a pronounced shift from more stable exchange rate arrangements to intermediary regimes against a backdrop of the worsening euro area crisis and protracted low growth. The euro crisis prompted countries with safe haven currencies to intensify interventions to fend off appreciation and emerging market economies to abandon their de facto pegs due to their weakening external balance positions. This shift away from soft peg arrangements to other managed arrangements mirrors what happened at the beginning of the crisis, when many countries abandoned less flexible exchange rate arrangements in response to increased volatility in foreign exchange markets.
- The exchange rate no longer dominates as the anchor for monetary policy as member countries increasingly opt to monitor various indicators. The U.S. dollar maintained its position as the dominant exchange rate anchor but with significantly fewer countries using a dollar anchor. Foreign exchange interventions intensified as emerging market economies experienced exchange rate pressure in both directions, while several advanced economies experienced massive appreciation pressure.

[6] For further information on these resources, see www.imfbookstore.org or www.elibrary.imf.org.

[7] This summary includes information on developments through July 31, 2012, except that changes in exchange rate arrangements are included through April 30, 2012.

- In contrast to the previous year, there was an increased use of foreign exchange auctions not only to manage foreign reserves but also to influence the exchange rate as countries intensified their interventions. Auctions can provide a transparent framework for selling or buying foreign exchange, and so they were also used occasionally for specific short-term purposes.
- Unlike during 2010–11, changes in forward transactions gravitated toward easing, in part to remove measures introduced during the crisis. Nonetheless, there was some tightening in forward foreign exchange markets to address concerns about the potential for derivative transactions to cause financial instability. Taxes on foreign exchange transactions were adjusted in both directions in response to variations in capital inflows.
- The number of IMF member countries accepting the obligations of Article VIII, Sections 2(a), 3, and 4, increased to 168 when Mozambique accepted them as of May 20, 2011. Nineteen member countries continue to avail themselves of the transitional arrangements under Article XIV. New member South Sudan has yet to decide whether it accepts the obligations of Article VIII, Sections 2(a), 3, and 4.
- Restrictions on current payments and transfers continued to decline slightly, although the number of countries imposing restrictive measures increased by one. Some exchange restrictions and MCPs were removed in the context of Mozambique's acceptance of the obligations of Article VIII, Sections 2(a), 3, and 4 in 2011. While the decline in the total and average number of restrictive measures suggests some overall easing, the overall direction of the resulting economic effects is difficult to ascertain because the measures vary widely in scope and economic impact.
- The trend continued toward greater current account openness. The regulatory framework eased considerably for exports and imports and for current invisible transactions. There was significant liberalization during the reporting period, in particular with respect to repatriation and surrender of export proceeds and advance payments for imports, which suggests that more countries are seeking external sources of growth by facilitating exports and abating concerns about circumvention of capital controls.
- The overall trend toward liberalization of capital transactions masks two major underlying developments: continued liberalization by countries that are in the process of opening up their financial accounts, and adjustments in capital controls in response to changes in the global environment, particularly changes in capital flows to emerging market economies. A weakened global economic outlook and heightened risk aversion slowed net inflows to emerging market economies during the second half of 2011, and some emerging market economies also experienced net outflows. These followed a period of strengthened controls, and likely intensified efforts to ease inflow controls as a means of addressing concerns about reduced access to foreign funds.
- The changes made by various countries in their financial sector regulations during 2011 and early 2012 can be seen as part of broader efforts to strengthen the financial regulatory framework, motivated by lessons learned from the financial crisis and concerns about capital flow volatility. Several measures harmonized domestic financial regulations with revised international frameworks and sought to increase liquidity buffers or strengthen host-home supervisory cooperation. The overall tightening of capital control measures in the financial sector may indicate that nondiscriminatory prudential measures have been found insufficient to deal with the financial stability concerns in some countries. A tightening of prudential measures and an easing of capital controls with respect to institutional investors also reflect the ongoing liberalization efforts of some member countries and the continued enhancement of the regulatory framework for institutional investors.

The remainder of this overview highlights the major developments covered in this issue of the AREAER. Details of member countries' exchange arrangements and their regulatory frameworks for current and capital transactions are presented in the individual country chapters, which are available on the CD enclosed with the printed Overview or through AREAER Online.

Developments in Exchange Arrangements

This section documents major changes and trends in the following related areas: exchange rate arrangements, foreign exchange intervention, monetary anchors, and the operation and structure of foreign exchange markets. It also reports on significant developments with respect to exchange taxes, exchange rate structures, and national currencies. There are nine tables within this section. Table 1 summarizes the detailed descriptions in the country chapters by reporting each IMF member country's monetary policy framework as indicated by country officials and classification of their de facto exchange rate arrangements. Table 2 breaks down countries' de facto exchange rate arrangements for 2008–12. Table 3 highlights changes in the reclassification of the de facto exchange rate arrangements between January 1, 2011, and April 30, 2012. Table 4 outlines IMF member countries' monetary anchors, and Table 5 reports other changes related to the exchange rate and monetary policy frameworks. Table 6 presents the structure of the foreign exchange markets in the membership, and Table 7.a reports changes regarding foreign exchange markets. Last, Tables 7.b and 7.c report changes in currency and exchange rate structures and exchange subsidies and taxes, respectively.

Table 1. De Facto Classification of Exchange Rate Arrangements and Monetary Policy Frameworks, April 30, 2012

The classification system is based on the members' actual, de facto arrangements as identified by IMF staff, which may differ from their officially announced, de jure arrangements. The system classifies exchange rate arrangements primarily on the basis of the degree to which the exchange rate is determined by the market rather than by official action, with market-determined rates being on the whole more flexible. The system distinguishes among four major categories: hard pegs (such as exchange arrangements with no separate legal tender and currency board arrangements); soft pegs (including conventional pegged arrangements, pegged exchange rates within horizontal bands, crawling pegs, stabilized arrangements, and crawl-like arrangements); floating regimes (such as floating and free floating); and a residual category, other managed. This table presents members' exchange rate arrangements against alternative monetary policy frameworks in order to highlight the role of the exchange rate in broad economic policy and illustrate that different exchange rate regimes can be consistent with similar monetary frameworks. The monetary policy frameworks are as follows.

Exchange rate anchor

The monetary authority buys or sells foreign exchange to maintain the exchange rate at its predetermined level or within a range. The exchange rate thus serves as the nominal anchor or intermediate target of monetary policy. These frameworks are associated with exchange rate arrangements with no separate legal tender, currency board arrangements, pegs (or stabilized arrangements) with or without bands, crawling pegs (or crawl-like arrangements), and other managed arrangements.

Monetary aggregate target

The monetary authority uses its instruments to achieve a target growth rate for a monetary aggregate, such as reserve money, M1, or M2, and the targeted aggregate becomes the nominal anchor or intermediate target of monetary policy.

Inflation-targeting framework

This involves the public announcement of numerical targets for inflation, with an institutional commitment by the monetary authority to achieve these targets, typically over a medium-term horizon. Additional key features normally include increased communication with the public and the markets about the plans and objectives of monetary policymakers and increased accountability of the central bank for achieving its inflation objectives. Monetary policy decisions are often guided by the deviation of forecasts of future inflation from the announced inflation target, with the inflation forecast acting (implicitly or explicitly) as the intermediate target of monetary policy.

Other

The country has no explicitly stated nominal anchor, but rather monitors various indicators in conducting monetary policy. This category is also used when no relevant information on the country is available.

Table 1. De Facto Classification of Exchange Rate Arrangements and Monetary Policy Frameworks, April 30, 2012 (continued)

Exchange rate arrangement (number of countries)	Monetary Policy Framework						
	Exchange rate anchor				Monetary aggregate target (29)	Inflation-targeting framework (32)	Other[1] (38)
	U.S. dollar (43)	Euro (27)	Composite (13)	Other (8)			
No separate legal tender (13)	Ecuador El Salvador Marshall Islands Micronesia Palau Panama Timor-Leste Zimbabwe	Kosovo Montenegro San Marino		Kiribati Tuvalu			
Currency board (12)	**ECCU** Antigua and Barbuda Dominica Grenada St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines Djibouti Hong Kong SAR	Bosnia and Herzegovina Bulgaria Lithuania[2]		Brunei Darussalam			
Conventional peg (43)	Aruba The Bahamas Bahrain Barbados Belize Curaçao and Sint Maarten Eritrea Jordan Oman Qatar Saudi Arabia Turkmenistan United Arab Emirates Venezuela	Cape Verde Comoros Denmark[2] Latvia[2] São Tomé and Príncipe **WAEMU** Benin Burkina Faso Côte d'Ivoire Guinea-Bissau Mali Niger Senegal Togo **CAEMC** Cameroon Central African Rep. Chad Congo, Rep. of Equatorial Guinea Gabon	Fiji Kuwait Libya Morocco[3] Samoa	Bhutan Lesotho Namibia Nepal Swaziland			
Stabilized arrangement (16)	Cambodia Guyana Iraq Lebanon Maldives (04/11) Suriname Trinidad and Tobago	FYR Macedonia	Vietnam[5]		Tajikistan[4,5] (09/11) Ukraine[5]	Guatemala[5] (06/11)	Angola[4,5] (11/10) Azerbaijan[5] Egypt[4,6] (04/11) Lao P.D.R.[5]
Crawling peg (3)	Nicaragua		Botswana				Bolivia[4,5] (11/10)
Crawl-like arrangement (12)	Ethiopia Honduras (07/11) Jamaica (06/11) Kazakhstan	Croatia			Argentina[5] China[5] Rwanda[5] Uzbekistan[5,7] (04/08)	Dominican Republic[5]	Haiti[5] Tunisia[6] (09/11)
Pegged exchange rate within horizontal bands (1)			Tonga				

Table 1. De Facto Classification of Exchange Rate Arrangements and Monetary Policy Frameworks, April 30, 2012 (continued)

Exchange rate arrangement (number of countries)	Monetary Policy Framework						
	Exchange rate anchor				Monetary aggregate target (29)	Inflation-targeting framework (32)	Other[1] (38)
	U.S. dollar (43)	Euro (27)	Composite (13)	Other (8)			
Other managed arrangement (24)	Liberia[4] (11/11)		Algeria Iran (05/11) Singapore[4] (09/11) Syria[4] (04/11) Vanuatu		Bangladesh (12/11) Burundi (07/11) Congo, Dem. Rep. of the (11/11) Guinea Kyrgyz Rep. Malawi (08/11) Nigeria Paraguay Yemen		Belarus (05/11) Costa Rica Malaysia Mauritania Myanmar Russia Solomon Islands (02/11) Sudan Switzerland (09/11)
Floating (35)					Afghanistan (04/11) The Gambia Kenya Madagascar Mongolia Mozambique Pakistan[4] (04/11) Papua New Guinea Seychelles Sierra Leone Sri Lanka (02/12) Tanzania Uganda Zambia	Albania Armenia[8] Brazil Colombia Georgia[8] Ghana Hungary Iceland Indonesia (02/11) Korea Moldova Peru (04/11) Philippines Romania Serbia South Africa Thailand Turkey Uruguay	India Mauritius

Table 1. De Facto Classification of Exchange Rate Arrangements and Monetary Policy Frameworks, April 30, 2012 (concluded)

Exchange rate arrangement (number of countries)	Monetary Policy Framework						
	Exchange rate anchor				Monetary aggregate target (29)	Inflation-targeting framework (32)	Other[1] (38)
	U.S. dollar (43)	Euro (27)	Composite (13)	Other (8)			
Free floating (31)						Australia Canada Chile Czech Rep. Israel (08/11) Mexico (11/11) New Zealand Norway Poland (12/11) Sweden United Kingdom	Japan Somalia United States **EMU** Austria Belgium Cyprus Estonia (01/11) Finland France Germany Greece Ireland Italy Luxembourg Malta Netherlands Portugal Slovak Republic Slovenia Spain

Source: IMF staff.

Note: If the member country's de facto exchange rate arrangement has been reclassified during the reporting period, the date of change is indicated in parentheses.

[1] Includes countries that have no explicitly stated nominal anchor, but rather monitor various indicators in conducting monetary policy.

[2] The member participates in the European Exchange Rate Mechanism (ERM II).

[3] Within the framework of an exchange rate fixed to a currency composite, the Bank Al-Maghrib (BAM) adopted a monetary policy framework in 2006 based on various inflation indicators with the overnight interest rate as its operational target to pursue its main objective of price stability. Since March 2009, the BAM reference interest rate has been set at 3.25%.

[4] The exchange rate arrangement was reclassified retroactively, overriding a previously published classification.

[5] The de facto monetary policy framework is an exchange rate anchor to the U.S. dollar.

[6] The de facto monetary policy framework is an exchange rate anchor to a composite.

[7] This reclassification reflects a methodological correction and does not imply a judgment that there was an alteration in the exchange arrangement or other policies. The change is applied retroactively to April 30, 2008, the date on which the Revised System for the Classification of Exchange Rate Arrangements became effective.

[8] The central bank has taken preliminary steps toward inflation targeting and is preparing for the transition to full-fledged inflation targeting.

Exchange Rate Arrangements and Monetary Policy Frameworks

Developments in exchange rate arrangements over this reporting period were characterized by two distinct features. First, the worsening of the euro area crisis put significant appreciation pressure on safe haven currencies, such as the Swiss franc, triggering interventions in the foreign exchange markets in these countries. Second, weakening external balance positions in a number of emerging market economies increased depreciation pressure on their currencies, prompting them to abandon their de facto pegs. The overall net result has been a pronounced shift from "stabilized arrangements" to the residual category, "other managed." This shift away from soft peg arrangements mirrors what happened at the beginning of the crisis, when many countries abandoned less flexible exchange rate arrangements in response to increased volatility in foreign exchange markets. Although there also have been changes in the composition of most other categories, these almost completely offset each other.

- There were no changes between April 2011 and April 2012 among the countries that have no separate legal tender, currency boards, or conventional pegs. In fact, these categories have been remarkably stable over the past four years.
- The number of stabilized arrangements decreased from 23 as of April 30, 2011, to 16 as of April 30, 2012, and the composition of this group changed significantly. Including temporary changes, fourteen countries left this group, and seven countries joined. Only three new countries joined and remained in this group: Angola (previously, other managed arrangement), Egypt (previously, crawl-like arrangement), and Guatemala (previously, floating). Five of the ten countries that moved to a different exchange rate arrangement category switched to other managed arrangement (Belarus, Burundi, Iran, Malawi, Syria), one switched to a crawling peg (Bolivia), three to crawl-like arrangements (Honduras, Jamaica, Tunisia), and one to floating (Pakistan). Tajikistan was classified as having a crawl-like arrangement for part of the reporting period before returning to a stabilized arrangement. Three other countries (Democratic Republic of the Congo, Liberia, Sri Lanka) were classified as having stabilized arrangements for part of the reporting period but eventually reverted to their previous classifications or were reclassified to a different category.
- The number of countries with crawl-like arrangements remained at 12, although the composition of this group changed. Four countries joined the group: Honduras, Jamaica, Tunisia (previously, all stabilized arrangements), and Uzbekistan (previously, crawling peg). Four countries exited the group: Bangladesh, Democratic Republic of the Congo, Egypt, and Sri Lanka. Two other countries were classified as having crawl-like arrangements for part of the reporting period but were returned to their previous classifications: Tajikistan (stabilized arrangement) and Singapore (other managed arrangement).
- Only one country maintains a pegged exchange rate within horizontal bands, Tonga. There are three additional countries that have de jure pegged exchange rates within horizontal bands, but two of them have de facto stabilized arrangements and one has a de facto other managed arrangement.
- Eight countries were reclassified into the category other managed arrangement (the residual category), while one country left this group (Angola, which was reclassified as having a stabilized arrangement). Among the new countries in this group, five previously had stabilized arrangements (Belarus, Burundi, Iran, Malawi, Syria), two had crawl-like arrangements (Bangladesh, Democratic Republic of the Congo), and one abandoned its free floating exchange rate arrangement (Switzerland). Liberia was classified as having a stabilized arrangement for part of the reporting period before being returned to its previous classification (other managed arrangement). Because the Singapore dollar tracked an appreciating trend against a basket of currencies within a 2% band, Singapore was retroactively reclassified as having a crawl-like arrangement as of April 2010, but was subsequently returned to its previous classification (other managed arrangement).
- The number of countries with floating arrangements decreased by one, with only minor changes to the composition of the group. There were two new countries: Pakistan (previously, stabilized arrangement) and Sri Lanka (previously, crawl-like arrangement). Israel and Mexico were reclassified to free floating and Guatemala to a stabilized arrangement.
- The number of countries classified as having free-floating arrangements increased by one and appears to have stabilized near 16 percent, which is about 4 percentage points lower than before the crisis. Two countries joined this group, Israel and Mexico (both previously floating), after they discontinued their interven-

tions in the foreign exchange markets. Switzerland left this group (now, other managed), owing to increased official activity in its foreign exchange markets. Poland was classified as floating for part of the reporting period before being returned to its previous classification (free floating).

Table 2. Exchange Rate Arrangements, 2008–12

(Percent of IMF members as of April 30 each year)[1]

Exchange Rate Arrangements	2008[2]	2009[3]	2010[4]	2011	2012
Hard pegs	12.2	12.2	13.2	13.2	13.2
No separate legal tender	5.3	5.3	6.3	6.8	6.8
Currency board	6.9	6.9	6.9	6.3	6.3
Soft pegs	39.9	34.6	39.7	43.2	39.5
Conventional peg	22.3	22.3	23.3	22.6	22.6
Stabilized arrangement	12.8	6.9	12.7	12.1	8.4
Crawling peg	2.7	2.7	1.6	1.6	1.6
Crawl-like arrangement	1.1	0.5	1.1	6.3	6.3
Pegged exchange rate within horizontal bands	1.1	2.1	1.1	0.5	0.5
Floating	39.9	42.0	36.0	34.7	34.7
Floating	20.2	24.5	20.1	18.9	18.4
Free floating	19.7	17.6	15.9	15.8	16.3
Residual					
Other managed arrangement	8.0	11.2	11.1	8.9	12.6

Source: AREAER database.

[1] Includes 187 member countries and three territories: Aruba (Netherlands), Curaçao and Sint Maarten (Netherlands), and Hong Kong SAR (China).

[2] As retroactively classified February 2, 2009; does not include Kosovo and Tuvalu, which became members of the IMF on June 29, 2009, and June 24, 2010, respectively.

[3] As published in the 2009 AREAER; does not include Kosovo and Tuvalu, which became members of the IMF on June 29, 2009, and June 24, 2010, respectively.

[4] As published in the 2010 AREAER; does not include Tuvalu, which became a member of the IMF on June 24, 2010.

Table 3. Changes and Resulting Reclassifications of Exchange Rate Arrangements, 2011–12

(January 1, 2011–April 30, 2012)

Country	Change	Previous Arrangement[1]	Arrangement in the 2012 AREAER
Afghanistan	Due to the increased flexibility in the Afghani–U.S. dollar exchange rate since the beginning of April 2011, the de facto exchange rate arrangement was reclassified to floating from a stabilized arrangement, effective April 1, 2011.	Stabilized arrangement	Floating
Angola[2]	After November 2010, the kwanza consistently remained within a 2% band against the U.S. dollar, with a one-time adjustment in September 2011. Accordingly, the de facto exchange rate arrangement was reclassified retroactively to a stabilized arrangement from other managed arrangement, effective November 1, 2010. However, the change is reflected as of January 1, 2011, corresponding to the first day of the period covered in this year's AREAER.	Other managed arrangement	Stabilized arrangement

Table 3. Changes and Resulting Reclassifications of Exchange Rate Arrangements, 2011–12 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2012 AREAER
Bangladesh	Against the backdrop of depleting foreign exchange reserves, the authorities let the taka depreciate against the U.S. dollar, with the taka departing from the crawl-like arrangement on December 19, 2011. Since then, direct interventions by the Bank of Bangladesh have been limited, initially allowing the exchange rate to move more freely. However, beginning in mid-February, the exchange rate stabilized anew. Because the exchange rate doesn't meet the criteria of either a stabilized arrangement or floating, the de facto exchange rate arrangement was reclassified to other managed from a crawl-like arrangement, effective December 19, 2011.	Crawl-like arrangement	Other managed arrangement
Belarus	Due to the disruption of the foreign exchange market and the emergence of a black market where substantial trading was taking place, the de facto exchange rate arrangement was reclassified to other managed arrangement from a stabilized arrangement, effective May 24, 2011.	Stabilized arrangement	Other managed arrangement
Bolivia[2]	In late November 2010, the Central Bank of Bolivia restarted nominal adjustments in the exchange rate, appreciating the local currency, to reduce inflation pressures. Therefore, the de facto exchange rate arrangement was reclassified retroactively to a crawling peg from a stabilized arrangement, effective November 29, 2010. However, the change is reflected as of January 1, 2011, corresponding to the first day of the period covered in this year's AREAER.	Stabilized arrangement	Crawling peg
Burundi	The Burundi franc exchange rate, which is mainly determined at the Bank of the Republic of Burundi auctions, depreciated slightly against the U.S. dollar in the first half of 2011, while remaining in the stabilized band. Beginning July 26, 2011, the exchange rate departed from the band and depreciated at an increasingly accelerated rate. The depreciation continued through February 2012, with relatively more flexibility. Accordingly, the de facto exchange rate arrangement was reclassified to other managed arrangement from a stabilized arrangement, effective July 26, 2011.	Stabilized arrangement	Other managed arrangement
Democratic Republic of the Congo	From May until mid-November 2011, the franc remained stabilized in a narrow band. Accordingly, the de facto exchange rate arrangement was reclassified to a stabilized arrangement from a crawl-like arrangement, effective May 1, 2011.	Crawl-like arrangement	Stabilized arrangement
Democratic Republic of the Congo[3]	In late November 2011, the franc appreciated sharply against the U.S. dollar, departing from the stabilized band for several months. During this time, the Central Bank of the Democratic Republic of the Congo purchased foreign exchange in the market, causing the franc to depreciate gradually back to pre-election levels. Given the increased flexibility during this period, the de facto exchange rate arrangement was reclassified to other managed arrangement from a stabilized arrangement, effective November 23, 2011.		Other managed arrangement

Table 3. Changes and Resulting Reclassifications of Exchange Rate Arrangements, 2011–12 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2012 AREAER
Egypt	Following a period marked by a gradual depreciation through March 2011, the pound stabilized against a currency basket and remained in a narrow band after April 2011. Accordingly, effective April 1, 2011, the de facto exchange rate arrangement was reclassified retroactively to a stabilized arrangement from a crawl-like arrangement.	Crawl-like arrangement	Stabilized arrangement
Estonia	Estonia participates in a currency union with 16 other members of the EU and has no separate legal tender. The euro, the common currency, floats freely and independently against other currencies. Thus, the de facto exchange rate arrangement was reclassified to free floating from a currency board, effective January 1, 2011.	Currency board	Free floating
Guatemala	After a mild depreciation in May 2011, the exchange rate remained stable in a narrow band while interventions continued in the foreign exchange market. Due to the stability of the exchange rate during this period, the de facto exchange rate arrangement was reclassified to a stabilized arrangement from floating, effective June 1, 2011.	Floating	Stabilized arrangement
Honduras	Following a long period of stability (since May 2005), the lempira was allowed to crawl once again in July 2011, and thereafter followed a steady depreciating trend against the U.S. dollar, with a small one-time adjustment in November 2011. Accordingly, the de facto exchange rate arrangement was reclassified to a crawl-like arrangement from a stabilized arrangement, effective July 25, 2011.	Stabilized arrangement	Crawl-like arrangement
Indonesia	In February 2011, the exchange rate left the stabilized band as the rupiah started to appreciate against the U.S. dollar. Due to the increased flexibility of the exchange rate, the de facto exchange rate arrangement was reclassified to floating from a stabilized arrangement, effective February 14, 2011.	Stabilized arrangement	Floating
Iran	The spread between the interbank exchange rate and the parallel market rate at exchange bureaus increased substantially since mid-2011, reaching 50% as of the end of January 2012. In the meantime, the interbank exchange rate adjusted gradually, initially through January 2012, and after a one-time depreciation in late January remained stable through the end of April. Because there was no discernable pattern for the rial, the de facto exchange rate arrangement was reclassified to other managed arrangement from a stabilized arrangement, effective May 1, 2011.	Stabilized arrangement	Other managed arrangement
Israel	The Bank of Israel ceased its interventions in the foreign exchange market after August 2011. Accordingly, the de facto exchange rate arrangement was reclassified to free floating from floating, effective August 1, 2011.	Floating	Free floating
Jamaica	After June 2011, the exchange rate was allowed to adjust on a gradual basis while official interventions in the foreign exchange market continued. As a result, the Jamaican dollar followed a depreciating trend against the U.S. dollar within a margin of less than 2%. Given the pattern of the exchange rate, the de facto exchange rate arrangement was reclassified to a crawl-like arrangement from a stabilized arrangement, effective June 1, 2011.	Stabilized arrangement	Crawl-like arrangement

Table 3. Changes and Resulting Reclassifications of Exchange Rate Arrangements, 2011–12 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2012 AREAER
Liberia[2]	From January until early November 2011, the Liberian dollar remained stable in a 2% band vis-à-vis the U.S. dollar. Due to the stability of the exchange rate during this period, the de facto exchange rate arrangement was reclassified retroactively to a stabilized arrangement from other managed arrangement, effective January 5, 2011.	Other managed arrangement	Stabilized arrangement
Liberia[3]	In early November 2011, the exchange rate departed from the stabilized band, showing increased but limited flexibility while still being managed. Accordingly, the de facto exchange rate arrangement was reclassified to other managed arrangement from a stabilized arrangement, effective November 7, 2011.		Other managed arrangement
Malawi	After a devaluation in August 2011, the kwacha showed limited but sufficient flexibility, departing from the 2% band on both sides, while official actions continued to play an important role in influencing the exchange rate. Accordingly, the de facto exchange rate arrangement has been reclassified to other managed arrangement from a stabilized arrangement, effective August 8, 2011.	Stabilized arrangement	Other managed arrangement
Maldives	After adoption of a pegged exchange rate within horizontal bands on April 11, 2011, the rufiyaa remained stabilized in a 2% band against the U.S. dollar. Accordingly, the de facto exchange rate arrangement has been reclassified to a stabilized arrangement from a conventional peg, effective April 11, 2011.	Conventional peg	Stabilized arrangement
Mexico	Since November 2011, the Bank of Mexico has not intervened in the foreign exchange market through any mechanism. Accordingly, the de facto exchange rate arrangement was reclassified to free floating from floating, effective November 1, 2011.	Floating	Free floating
Pakistan[2]	Following a period of stability, the rupee departed from the 2% stabilized band against the U.S. dollar in early April 2011, and started to float more freely. Because of the increased flexibility of the exchange rate, the de facto exchange rate arrangement was reclassified retroactively to floating from a stabilized arrangement, effective April 11, 2011.	Stabilized arrangement	Floating
Peru	Due to the increased flexibility in the nuevo sol–U.S. dollar exchange rate in April 2011, the de facto exchange rate arrangement was reclassified to floating from a crawl-like arrangement, effective April 1, 2011.	Crawl-like arrangement	Floating
Poland	The National Bank of Poland (NBP) resumed intervention to stabilize the market and prevent speculation, with the first intervention on September 23, 2011, followed by more on September 30, October 3, November 23, December 29, and December 30, 2011. Because the NBP intervened more than three times in a six-month period, the de facto exchange rate arrangement was reclassified to floating from free floating, effective September 23, 2011.	Free floating	Floating
Poland[3]	Given that NBP interventions ceased after December 30, 2011, the de facto exchange rate arrangement was reclassified to free floating from floating, effective December 31, 2011.		Free floating

Table 3. Changes and Resulting Reclassifications of Exchange Rate Arrangements, 2011–12 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2012 AREAER
Singapore[2]	The Singapore dollar tracked an appreciating trend against a basket of currencies within a 2% band from April 2010 through September 2011. Therefore, the de facto exchange rate arrangement was retroactively reclassified to a crawl-like arrangement from other managed, effective April 14, 2010. However, the change is reflected as of January 1, 2011, corresponding to the first day of the period covered in this year's AREAER.	Other managed arrangement	Crawl-like arrangement
Singapore[3]	Beginning in September 2011, the Singapore dollar departed from the crawl-like band without showing any discernible pattern, while the authorities' official exchange rate policy of managing the exchange rate remained unchanged. Accordingly, the de facto exchange rate arrangement was reclassified to other managed arrangement from a crawl-like arrangement, effective September 12, 2011.		Other managed arrangement
Solomon Islands	After implementation of an updated currency basket in February 2011, the Solomon Islands dollar began to appreciate and move more freely against the U.S. dollar. Due to the increased flexibility, the de facto exchange rate arrangement was reclassified to other managed arrangement from a conventional peg, effective February 1, 2011.	Conventional peg	Other managed arrangement
Sri Lanka	In May 2011, the rupee stabilized at around Rs. 110 against the U.S. dollar, with a one-time step adjustment on November 22, 2011. Therefore, the de facto exchange rate arrangement was reclassified to a stabilized arrangement from a crawl-like arrangement, effective May 1, 2011.	Crawl-like arrangement	Stabililzed arrangement
Sri Lanka[3]	After early February 2012, the authorities limited their interventions in the foreign exchange market and allowed for increased flexibility against the U.S. dollar. As a result, the rupee-dollar exchange rate departed from the stabilized band and moved more freely. Accordingly, the de facto exchange rate arrangement was reclassified to floating from a stabilized arrangement, effective February 9, 2012.		Floating
Switzerland	The Swiss National Bank (SNB) set a minimum exchange rate of CHF 1.20 per euro to stop the appreciation of the franc and committed to defending the limit by buying foreign currency in unlimited quantities. In 2011, to combat the massive overvaluation of the Swiss franc and to enforce the minimum exchange rate, the SNB purchased foreign currency to a value of approximately CHF 17.8 billion. The purchases were made with a wide range of counterparties in Switzerland and abroad. Based on the role of official actions in influencing the exchange rate and the actual relative stability of the Swiss franc vis-à-vis the euro, the de facto exchange rate arrangement was reclassified to other managed arrangement from free floating, effective September 6, 2011.	Free floating	Other managed arrangement
Syria	Given developments in the official rate, the emergence of a parallel market, and a newly implemented intervention rate, the de facto exchange rate arrangement was reclassified retroactively to other managed arrangement from a stabilized arrangement, effective April 1, 2011.	Stabilized arrangement	Other managed arrangement

Table 3. Changes and Resulting Reclassifications of Exchange Rate Arrangements, 2011–12 (concluded)

Country	Change	Previous Arrangement[1]	Arrangement in the 2012 AREAER
Tajikistan[2]	From March through September 2011, the somoni fol lowed a depreciating trend against the U.S. dollar with in a 2% band. Therefore, the de facto exchange rate arrangement was reclassified retroactively to a crawl-like arrangement from a stabilized arrangement, effective March 1, 2011.	Stabilized arrangement	Crawl-like arrangement
Tajikistan[3]	Beginning in late September 2011, the somoni stabilized against the U.S. dollar around a new level and remained in a narrow band. Accordingly, the de facto exchange rate arrangement was reclassified to a stabilized arrangement from a crawl-like arrangement, effective September 28, 2011.		Stabilized arrangement
Tunisia	During the transition to a new operational framework, after September 2011, the Central Bank of Tunisia made several adjustments to the level of the exchange rates in the basket. This resulted in the dinar following a depreciating trend vis-à-vis the basket within a margin of less than 2% through April 2012. Therefore, the de facto exchange rate arrangement was reclassified to a crawl-like arrangement from a stabilized arrangement, effective September 1, 2011.	Stabilized arrangement	Crawl-like arrangement
Uzbekistan[2]	Given that the sum has followed a depreciating trend against the U.S. dollar within a margin of less than 2%, the de facto exchange rate arrangement was reclassified retroactively to a crawl-like arrangement from a crawling peg, effective April 30, 2008. This reclassification reflects only a methodological correction and does not imply a judgment that there has been an alteration in the country's exchange arrangement or other policies. The change is applied retroactively to April 30, 2008, the date on which the Revised System for the Classification of Exchange Rate Arrangements became effective. The change is reflected as of January 1, 2011, corresponding to the first day of the period covered in this year's AREAER.	Crawling peg	Crawl-like arrangement

Source: AREAER database.

[1] This column refers to the arrangement as reported in the 2011 AREAER, except in cases when a reclassification took place during January–April 30, 2011, in which case it refers to the arrangement preceding such a reclassification.

[2] The exchange rate arrangement was reclassified retroactively, overriding a previously published classification for the entire reporting period or part of the period.

[3] Cells in the column "Previous Arrangement" are blank if there was a subsequent reclassification during the reporting period.

Monetary Anchors[8]

The exchange rate no longer retains its dominant role as an anchor for monetary policy in member countries (Table 4). The most noteworthy changes between April 2011 and April 2012 were in the number of countries using the U.S. dollar as an exchange rate anchor (it declined the most) and the number of countries classified as having other monetary frameworks (it increased the most). Overall, 10 countries were recategorized, reflecting developments in their official monetary anchors[9] and further improved reporting.[10] As shown in Table 1, the share of members using as a monetary anchor either the U.S. dollar (43) or a composite (13) both decreased, whereas the share of members using the euro (27) or other single currency (8) remained the same.

Table 4. Monetary Policy Frameworks and Exchange Rate Anchors, 2008–12

(Percent of IMF members as of April 30 each year)[1]

	U.S. Dollar	Euro	Composite	Other Currency	Monetary Aggregate	Inflation Targeting	Other[2]
2008[3]	33.0	14.4	8.0	3.7	11.7	22.9	6.4
2009[3]	28.7	14.4	7.4	4.3	13.3	15.4	16.5
2010[4]	26.5	14.8	7.9	3.7	13.2	16.4	17.5
2011	25.3	14.2	7.4	4.2	15.3	16.3	17.4
2012	22.6	14.2	6.8	4.2	15.3	16.8	20.0

Source: AREAER database.

[1] Includes 187 member countries and three territories: Aruba (Netherlands), Hong Kong SAR (China), and Curaçao and Sint Maarten (Netherlands) for 2011 and 2012, which were previously included as the Netherlands Antilles.

[2] Includes countries that have no explicitly stated nominal anchor but instead monitor various indicators in conducting monetary policy. This category is also used when no relevant information on the country is available.

[3] Does not include Kosovo and Tuvalu, which became members of the IMF on June 29, 2009, and June 24, 2010, respectively.

[4] Does not include Tuvalu, which became a member of the IMF on June 24, 2010.

Fifty-five member countries have an officially announced fixed exchange rate policy—either a currency board or a conventional peg—which implies the use of the exchange rate as the unique monetary anchor. Among the 66 countries that have floating exchange rate arrangements—floating or free floating—the monetary anchor does not refer to the exchange rate and varies among monetary aggregates (14), inflation targeting (30), and other (22, including the 17 euro area countries). The 15 countries implementing soft pegs and other managed arrangements target monetary aggregates. The 28 countries with either stabilized or crawl-like arrangements rely on a variety of monetary frameworks, including monetary aggregates and inflation-targeting frameworks. Other managed arrangements, apart from six countries that use exchange rate anchors, are equally split between monetary aggregate targets and other monetary policy frameworks.

- The share of IMF members with the exchange rate as the main policy target fell below half, from 51.1 percent to 47.9 percent. Countries with hard pegs or conventional pegs make up three-quarters of this group. Three currency unions—the Central African Economic and Monetary Community (CAEMC), Eastern Caribbean Currency Union (ECCU), and Western African Economic and Monetary Union (WAEMU) —have in place exchange rate anchors for their respective common currency. However, these countries account for less than 20 percent of global output and world trade. Exchange rate anchors are by far the first choice of small, open economies, as suggested in the economic literature.

[8] Monetary anchors are defined as the main intermediate target the authorities pursue to achieve their policy goal (which is overwhelmingly price stability). The inventory of monetary anchors is based mainly on members' declaration in the context of the yearly AREAER update or Article IV consultations.

[9] The officially announced monetary anchor may differ from the anchor implemented in practice as a result of the de facto exchange rate arrangement.

[10] For the 2010 reporting year, country officials were asked for the first time to report specific information about the monetary policy framework, and as a result the information provided by officials improved considerably. Further improvement was observed for the 2011 data.

- The U.S. dollar maintained its position as the dominant exchange rate anchor, but the share of countries using it as an exchange rate anchor continues to erode, having decreased by more than 10 percent since April 2008. Five countries changed their monetary policy frameworks from exchange rate anchor to the dollar during 2011–12: Angola, Lao P.D.R., and Sudan now have other monetary policy frameworks that still include the U.S. dollar in their policy basket); Malawi targets a monetary aggregate; and Vietnam anchors its exchange rate to a basket of currencies. Countries that continue to anchor to the dollar also include those with moderate trade relations with the United States.
- There was no change in the share or composition of countries using an exchange rate anchor to the euro. These countries generally have a common history with European countries, such as the Communauté financiére d'Afrique (CFA) franc area countries, or strong trade relations with western Europe, including central and eastern European countries such as Bulgaria, former Yugoslav Republic of Macedonia, Montenegro, and San Marino.
- Thirteen countries (one fewer than in 2011) anchor their exchange rate to a currency composite. Four track the SDR as the sole currency basket or as a component of a broader reference basket; one tracks a euro-dollar basket; two Pacific Island countries track a composite that includes the Australian and New Zealand dollars in combination with major global currencies; and the remaining six countries do not disclose the composition of their reference currency baskets. During the reporting year, both Belarus and Tunisia abandoned the euro-dollar basket as their primary monetary anchor and moved to another monetary policy framework. Vietnam described its monetary policy framework as managed floating with reference to a currency basket consisting of currencies from countries with which it has trading, finance, or investment relationships. Russia uses a bicurrency basket as the operating benchmark for transactions in the foreign exchange market, but it also monitors a range of indicators in conducting monetary policy.
- The number of countries with an exchange rate anchor to another single currency remained unchanged (8). Two of these countries use the Australian dollar as their legal currency, and one has a currency board arrangement with the Singapore dollar. The remaining five have conventional pegged arrangements, three with the South African rand and two with the Indian rupee. Half the countries in this group are landlocked, bordering either partially or exclusively the country whose currency they use as their exchange rate anchor.

Most IMF member countries, representing the overwhelming share of global output, are split among monetary aggregate targeting, inflation targeting, and other (which includes monetary policy not committed to any specific target).

- The number of countries targeting a monetary aggregate remained 29. This category does not include any country with a free floating exchange rate arrangement; in fact, monetary aggregates are often the choice of economies with less developed financial markets and managed exchange rates. The objective of the arrangement is to influence consumer prices and eventually asset prices through the control of monetary aggregates. Reserve money is often used as the operational target to control credit growth through the credit multiplier. During the past year, two countries switched from monetary aggregate targeting to inflation targeting or other monetary framework (Dominican Republic and Solomon Islands), but two declared monetary aggregate targeting to be their sole monetary anchor (Kyrgyz Republic, Malawi).
- The 32 countries that directly target inflation are mostly middle income but include some advanced economies as well. Of these, 30 have either floating or free floating exchange rate arrangements, a policy framework that requires considerable monetary authority credibility to make up for the loss of transparent intermediate targets.[11] A few countries refer to their monetary framework as "inflation targeting light," suggesting that they also consider indicators other than inflation. During the past year, one country, Dominican Republic, joined this group by adopting inflation targeting as its formal monetary policy.
- The 38 countries that are not committed to any specific target (the "other" column in Table 1) include many of the largest economies such as the euro area, Japan, and the United States, where the monetary authorities have sufficient credibility to implement the monetary framework without a specific monetary anchor. Countries in this category also include those with multiple monetary anchors, often including an

[11] Inflation targeting aims to address the problem of exchange rates and monetary aggregates that do not have a stable relationship with prices, making intermediary targets less suitable for inflation control.

exchange rate anchor. For example, Tunisia previously anchored its exchange rate to a euro-dollar basket, but its monetary policy framework has been reclassified as "other" because it now includes monetary aggregates in the policy mix, along with the exchange rate anchor. Lao P.D.R. and Sudan have also switched to other monetary policy frameworks, indicating that they now use a monetary policy mix that includes the U.S. dollar. The other countries that joined this group are Angola, Belarus, and Solomon Islands.

Foreign Exchange Interventions

The IMF staff regularly assesses whether the frequency of foreign exchange intervention is consistent with free-floating arrangements (see the Compilation Guide below).[12] These assessments draw on information that is publicly available or made available to the IMF through other sources, including during official staff visits to member countries. This section summarizes developments in foreign exchange interventions since January 1, 2011, some of which are described in Table 5.

Intervention Purpose

Official interventions increased during this reporting cycle in response to increased exchange rate pressure resulting from uncertain growth prospects for major emerging market economies and the worsening euro area crisis. Emerging market economies experienced exchange rate pressure in both directions, while several advanced economies experienced massive appreciation pressure. The heightened intervention activity was evident in self-reporting, various market reports, and significant changes in some members' foreign exchange reserves.

Intensified strains in the euro area induced capital flows into safe havens, putting heavy pressure on these currencies and spurring an overall upsurge in official involvement in foreign exchange markets. For example, Switzerland announced a ceiling to stop the franc's appreciation; Japan intervened several times in 2011.

The crisis in Europe also had adverse effects on several regional emerging market economies. The Polish zloty and the Turkish lira, for example, faced substantial depreciation pressure, and both countries reacted by providing foreign exchange liquidity to the market. The Turkish central bank also implemented macroprudential measures to constrain sharp movements in the exchange rate.

Intervention Techniques

Direct purchases and sales of foreign exchange remain the most popular form of intervention. Japan resumed such interventions in September 2010 for the first time since 2004, and it continued them in 2011. In March 2011, following a sharp rise in foreign exchange volatility as a result of the earthquake in Japan, other Group of Seven (G7) authorities participated in a coordinated intervention to sell Japanese yen. However, these interventions did not exceed the limit allowed for a de facto free floating arrangement. Poland intervened in the foreign exchange market in the form of foreign exchange sales directly by the central bank. Mexico suspended its monthly put option auctions,[13] which had been used to intervene in the foreign exchange market since 2010. Instead, in November 2011, it reinstated a mechanism to trigger foreign exchange sales in case of a depreciation of more than 2 percent from the previous day; this mechanism had not yet been used through the end of April 2012. Israel ceased its foreign exchange interventions in August 2011. As a result, both Israel and Mexico were subsequently reclassified as free floating.

Russia continued to ease the rules guiding its interventions by further widening the band for allowable fluctuations and reducing the size of interventions. Similarly, Guatemala widened the fluctuation margin triggering interventions, and Uganda made several increases in its daily purchases of foreign exchange in a bid to build up its reserves.

[12] Preannounced programs of purchase and/or sale of foreign exchange typically do not qualify as interventions because the design of these programs minimizes the impact on the exchange rate. Very small, retail-type transactions are also disregarded.

[13] The put option auctions gave option holders the right to sell U.S. dollars to the central bank, provided the exchange rate had appreciated to more than its 20-day moving average.

Table 5. Changes in Exchange Rate Arrangements, Official Exchange Rate, and Monetary Policy Framework, 2011–12

Country	Change
Albania	Effective January 16, 2012, the Bank of Albania changed the purpose of its medium-term foreign reserves requirement to cover more than four months of imports and the short-term external debt of the country. Previously, the purpose was to meet the net international reserves target.
Azerbaijan	Effective January 20, 2011, the peg against the euro-dollar basket was abandoned, and a bilateral peg against the U.S. dollar was adopted.
Barbados	Effective August 3, 2011, the Central Bank of Barbados reduced its selling rate on currency trades from 2.035 Barbados dollars (BDS$) per U.S. dollar to BDS$2.015 per U.S. dollar, thereby lowering the margin for trades between authorized dealers and the general public.
Belarus	Effective January 1, 2011, the central exchange rate of the band was adjusted to the actual value of the currency basket (1,054.68 rubels (Rbl)) established December 31, 2010. Previously, it was Rbl 1,036.27.
Belarus	Effective May 24, 2011, the National Bank of the Republic of Belarus (NBRB) devalued the central exchange rate to 1810 rubels against the currency basket, widened the exchange rate band from ±10% to ±12%, within which the exchange rate may weaken or strengthen relative to the value of the basket, and reinstated a limit on over-the-counter trading of a 2% deviation from official rubel exchange rates.
Belarus	Effective October 20, 2011, the NBRB devalued the official exchange rate, thereby unifying the official and black market exchange rates at the market rate. The NBRB introduced a single trading session, abolished the official exchange rate bands, and introduced a managed floating regime.
Belarus	Effective October 20, 2011, the de jure exchange rate regime was reclassified from a pegged exchange rate within a horizontal band to a managed floating regime.
Brazil	Effective July 1, 2011, the calculation of the reference exchange rate is based on the average of four daily surveys with the Central Bank of Brazil's foreign exchange dealers. Previously, the reference exchange rate was calculated as the average of rates in actual spot transactions weighted by their size.
Brunei	Effective January 1, 2011, the Autoriti Monetari Brunei Darussalam (AMBD) replaced the Brunei Currency and Monetary Board (BCMB). All powers, assets, and liabilities of the BCMB were transferred to the AMBD.
Burundi	Effective March 12, 2012, the Bank of the Republic of Burundi began calculating the exchange rate on the basis of the buying and selling operations conducted by commercial banks with their customers. Previously, it was based on its auctions (Marché des Enchères Symétriques en Devises).
Chile	Effective January 5, 2011, the Central Bank of Chile (CBC) launched a foreign currency purchasing program aimed at strengthening its international liquidity position through daily auctions to buy US$50 million up to a total of US$12 billion.
Chile	Effective December 16, 2011, auctions under the foreign currency purchasing program ended with the completion of US$12 billion in purchases by the CBC.
China	Effective April 16, 2012, the floating band of the renminbi's (RMB's) trading prices against the U.S. dollar in the interbank foreign exchange market was widened from 0.5% to 1%—i.e., on each business day, the trading prices of the RMB against the U.S. dollar in the interbank foreign exchange market may fluctuate within a band of ±1% around the central parity released on the same day by the China Foreign Exchange Trading System. The spread between the RMB and the U.S. dollar selling and buying prices offered by foreign-exchange-designated banks to their customers may not exceed 2% of the central parity (previously 1%).
Costa Rica	Effective April 18, 2011, the foreign exchange purchase program, which started in September 2010 for accumulating international reserves, was completed as the US$600 million target was reached. This program, to the extent that it did not seek to influence the exchange rate in a given direction, helped to increase the confidence of economic agents (reserves as "insurance") and strengthen Costa Rica's international liquidity position; by virtue of its precautionary nature, it had been put in place by the Central Bank of Costa Rica (BCCR) as part of a financial policy rather than an exchange rate policy.
Costa Rica	Effective February 25, 2012, in order to reinforce the economy's "financial shield," the Board of Directors of the BCCR, in Article 7 of meeting 5532-2012 of January 25, 2012, agreed to implement a program to build international reserves for the period from February 1, 2012, to December 31, 2013, up to a maximum of US$1,500 million.
Dominican Republic	Effective January 1, 2012, pursuant to a resolution on December 15, 2011, the Monetary Board authorized the Central Bank of the Dominican Republic to adopt explicit inflation targeting as its monetary policy framework.

Table 5. Changes in Exchange Rate Arrangements, Official Exchange Rate, and Monetary Policy Framework, 2011–12 (continued)

Country	Change
Egypt	Effective April 1, 2011, new official restrictions were imposed on bid-ask spreads quoted by authorized foreign exchange dealers: (1) the client bid rate was allowed to move from 150 basis points below the interbank bid rate up to a maximum equal to the interbank bid rate; and (2) the client offer rate must be within a range of 50 to 150 basis points above the interbank offer rate. Previously, there were no official restrictions on bid-ask spreads quoted by authorized foreign exchange dealers.
Guatemala	Effective January 1, 2011, the annual inflation target was maintained at 5.0% ±1% for 2011.
Guatemala	Effective January 1, 2011, the fluctuation margin (added to or subtracted from the five-day moving average of the exchange rate) used to determine whether the Bank of Guatemala may intervene in the foreign exchange market was widened from 0.5% to 0.6%, in accordance with Monetary Board Resolution No. JM-161-2010.
Guatemala	Effective January 1, 2012, the annual inflation target was set at 4.5% ±1% for 2012.
Guinea	Effective July 28, 2011, transactions of commercial banks with their customers were bound within a band of ±3% around the last rate set during the weekly auctions.
Honduras	Effective July 25, 2011, the Central Bank of Honduras reactivated the crawling band system that had been in operation until mid-2005.
Iraq	Effective January 17, 2012, the Central Bank of Iraq slightly reduced the level around which it stabilizes the exchange rate from 1,170 dinars (ID) per U.S. dollar to ID 1,166.
Japan	Effective March 18, 2011, in the extraordinary circumstances following the earthquake and tsunami, the Ministry of Finance (MOF), in coordination with other G7 countries, intervened in the foreign exchange market by selling 692.5 billion yen (¥).
Japan	Effective August 4, 2011, the MOF intervened in the foreign exchange market by selling ¥4,512.9 billion.
Japan	Effective October 31, 2011, the MOF intervened in the foreign exchange market by selling ¥9,091.6 billion from October 31 through November 4, 2011.
Kazakhstan	Effective February 25, 2011, the trading band that had been established in February 2009 against the U.S. dollar was abandoned.
Kazakhstan	Effective February 28, 2011, a transition to a managed floating exchange rate regime was announced. Accordingly, the de jure exchange rate arrangement was reclassified to managed floating from a pegged exchange rate within horizontal bands. (NBRK Board's Resolution No. 18 of February 15, 2011).
Malawi	Effective May 7, 2012, the Reserve Bank of Malawi (RBM) devalued the kwacha (MK) from MK 168 to MK 250 per U.S. dollar.
Malawi	Effective May 7, 2012, in anticipation of devaluation, the RBM took steps aimed at allowing market forces to determine the exchange rate and at improved availability of foreign exchange in the market. Accordingly, the RBM implemented the revised Guidelines for Foreign Exchange Trading Activities, allowing for more market determination of the exchange rate.
Maldives	Effective April 11, 2011, the Maldives government adopted a new exchange rate regime under which the rufiyaa (Rf) floated within a band of 20% in either direction around a central parity of Rf 12.85 per U.S. dollar. Accordingly, the de jure exchange rate arrangement was classified as a pegged exchange rate within horizontal bands. Previously, it was a conventional pegged arrangement, with the rufiyaa pegged to the U.S. dollar at a buying rate of Rf 12.75 per U.S. dollar and a selling rate of Rf 12.85 per U.S. dollar.
Mexico	Effective November 30, 2011, the Bank of Mexico (BOM) temporarily suspended the mechanism of monthly put option auctions until further notice. Previously, the BOM used the put options as an intervention mechanism, giving the buyer the right to sell U.S. dollars when the exchange rate appreciated above its 20-day moving average. The BOM sold put options for US$600 million each month from February 2010 through October 30, 2011, and the BOM bought foreign exchange amounting to US$9.08 billion from option holders who exercised these options 50 times during the same period.
Mexico	Effective November 30, 2011, the BOM announced that it would sell up to US$400 million daily through auctions at a minimum price that is 2% below (1.02 times the Mexican peso per U.S. dollar) the previous day's average in the event of a more than 2% depreciation from the previous day. This mechanism was not used by April 30, 2012.
Mozambique	Effective August 11, 2011, a new mechanism for determining the exchange rate was adopted for transactions with the government, public entities, and the World Bank which seeks to prevent potential deviations between the rate used by the Bank of Mozambique in its foreign exchange transactions and the interbank foreign exchange market rate.

Table 5. Changes in Exchange Rate Arrangements, Official Exchange Rate, and Monetary Policy Framework, 2011–12 (continued)

Country	Change
Myanmar	Effective April 2, 2012, the Central Bank of Myanmar (CBM) reference rate is used to set the midrate in the retail thein phyu (TP) market and in the wholesale/interbank market for authorized dealers.
Myanmar	Effective April 2, 2012, the de jure exchange rate arrangement was reclassified to a managed float from a conventional peg to the Special Drawing Right (SDR) at K 8.50847 per SDR, with the elimination of the official exchange rate.
Myanmar	Effective April 2, 2012, the cut-off rate in the daily foreign exchange auction held by the CBM is used as the CBM reference exchange rate for that day's trading. Previously, the kyat was officially pegged to the SDR at K 8.50847 per SDR within a margin of ±2%.
Nigeria	Effective November 21, 2011, the Central Bank of Nigeria adjusted the midpoint of the target exchange rate from 150 naira per U.S. dollar to 155 naira per U.S. dollar with a soft exchange rate band of ±3% (unchanged) to accommodate continued downward exchange market pressure.
Paraguay	Effective May 18, 2011, the Central Bank of Paraguay published Resolution No. 22 (Resolución Nº 22 Acta Nº 31) regarding the implementation of information technology and the transition from the previous monetary policy regime.
Russia	Effective March 1, 2011, the Bank of Russia (BR) took the following actions: (1) It widened the band of allowable fluctuations of the ruble (Rub) from Rub 4 to Rub 5. (2) It reduced the size of accumulated interventions on the band's edge by 5 kopeks from US$650 million to US$600 million.
Russia	Effective December 27, 2011, the BR widened the band of allowable fluctuations from Rub 5 to Rub 6 and reduced the size of accumulated interventions on the band's edge by 5 kopeks from US$600 million to US$500 million.
Russia	Effective July 24, 2012, the BR widened the band of allowable fluctuations from Rub 6 to Rub 7 and reduced the size of accumulated interventions on the band's edge by 5 kopeks from US$500 million to US$450 million.
San Marino	Effective March 27, 2012, the Republic of San Marino signed a new Monetary Agreement with the European Union repealing the previous Monetary Agreement dated November 29, 2000. The new agreement authorizes San Marino to use the euro as its official currency, to grant legal tender status to euro banknotes and coins, and to issue limited quantities of euro coins (as did the former agreement). Under the new agreement, San Marino commits to adopt the relevant EU legislation (on euro banknotes and coins; fighting fraud and counterfeiting; banking and financial legislation, including the prevention of money laundering; and statistical reporting requirements). The new agreement will come into effect upon notification of the EU of the completion of the ratification by the parliament of San Marino.
Sierra Leone	Effective March 16, 2011, the weekly auction amount was increased from US$700,000 to US$1 million.
Solomon Islands	Effective February 1, 2011, even though the method of exchange rate calculation was not changed, the currency composition and weights of the basket, which are determined on the basis of the volume and direction of the country's trade, were updated.
Suriname	Effective January 20, 2011, the authorities devalued the currency by 20% vis-à-vis the U.S. dollar in the official market. With the devaluation, the authorities set a band of Surinamese dollars (SRD) 3.25–3.35 per U.S. dollar, within which all official and commercial market transactions are allowed to take place. In conjunction with the devaluation, the authorities also did away with the subsidy for imports of infant formula.
Tajikistan	Effective April 28, 2011, the new rules for calculating the official exchange rate of somoni against the U.S. dollar take into account only exchange rates within a range of ±1.5% to calculate the weighted average.
Tajikistan	Effective April 28, 2011, the official exchange rates of somoni against the euro and Russian ruble are calculated according the rules for determining cross rates using the ratio of the official exchange rate against the U.S. dollar and the exchange rates of the U.S. dollar against the given currencies that are established on the international foreign exchange markets on the same day until 4:00 p.m. Previously, the official exchange rates vis-à-vis the euro and Russian ruble were determined based on the average of buying and selling transactions in the interbank and intrabank foreign exchange markets.
Tunisia	Effective January 1, 2011, the Central Bank of Tunisia (CBT) started posting the volume of transactions between authorized intermediaries (IATs) and the volume of its daily interventions in the interbank foreign exchange market on its website. Previously, the CBT did not release intervention data to the public.
Tunisia	Effective April 18, 2012, a fixing (i.e., the average of market participants' quotes) replaced the currency composite as the reference exchange rate published by the CBT.

Table 5. Changes in Exchange Rate Arrangements, Official Exchange Rate, and Monetary Policy Framework, 2011–12 (concluded)

Country	Change
Uganda	Effective July 1, 2011, the Bank of Uganda's (BOU's) operational target is the monthly average seven-day interbank money market rate. The central bank rate (CBR), which is BOU's policy rate, was first set at 11% during the shadow run conducted in June 2011. The CBR was subsequently set at 13% when the new framework took effect in July 2011, with a band of ±4%.
Uganda	Effective November 4, 2011, the BOU increased the amount of daily reserve buildup purchases to US$1 million from US$0.5 million.
Uganda	Effective December 5, 2011, the BOU increased the amount of daily reserve buildup purchases to US$1.7 million from US$1 million.
Uganda	Effective February 20, 2012, the BOU revised the framework for reserve buildup from purchasing a fixed daily amount of US$1.7 million to purchasing amounts between US$1 and US$2 million daily, in response to the sharp oscillation of the shilling during February 2012.
United States	Effective March 18, 2011, following a sharp rise in foreign exchange volatility as a result of the March 2011 earthquake in Japan, on March 18, 2011, U.S. monetary authorities participated in a coordinated G7 intervention to sell Japanese yen. The operation, which was divided evenly between the U.S. Treasury Department's Exchange Stabilization Fund and the Federal Reserve System's Open Market Account, was coordinated with Japanese monetary authorities, the European Central Bank, and Canadian and U.K. monetary authorities.
United States	Effective January 25, 2012, the Federal Open Market Committee (FOMC) announced that inflation at the rate of 2%, as measured by the annual change in the price index for personal consumption expenditures, was most consistent over the longer term with the Fed's statutory mandate. In setting monetary policy, the FOMC will seek to mitigate deviations of inflation from its longer-term goal and deviations of employment from the FOMC's assessment of its maximum level.
Venezuela	Effective January 11, 2011, the Central Bank of Venezuela unified the official exchange rate at Bs 4.30 per U.S. dollar from Bs 4.30 and Bs 2.60 per U.S. dollar. The implicit rate in the Transaction System for Foreign-Currency-Denominated Securities (SITME) remains 5.30 per U.S. dollar. Previously, the exchange rate structure was multiple, with the following rates: (1) Bs 4.30 per U.S. dollar, official rate for most imports; (2) Bs 2.60 per U.S. dollar, official rate for imports of food, medicine, and machinery (priority goods); and (3) Bs 5.30 per U.S. dollar for SITME transactions. Accordingly, the exchange rate structure was changed from multiple to dual.
Vietnam	Effective February 11, 2011, the State Bank of Vietnam (SBV) devalued the dong by increasing the average interbank exchange rate by 9.3% against the U.S. dollar.
Vietnam	Effective February 11, 2011, the SBV narrowed the transaction band to ±1% from ±3% around the average interbank exchange rate.
Zambia	Effective April 2, 2012, with a view to transitioning from reserve money targeting to interest rate targeting by establishing a key policy interest rate, the Bank of Zambia introduced the "Bank of Zambia Policy Rate" as another anchor of monetary policy.

Source: AREAER database.
Note: Includes changes from January 2011 through July 2012.

Official Exchange Rates

The vast majority (166) of IMF member countries report publishing official exchange rates. This includes not only countries that have officially determined and/or enforced exchange rates; by definition it also refers to any reference or indicative exchange rate that is computed and/or published by the central bank. The calculation of such exchange rates is often based on market exchange rates, such as exchange rates used in interbank market transactions or in a combination of interbank and bank-client transactions in a specified observation period. The published exchange rate is used as a guidance to market participants, for accounting and customs valuation purposes, in exchange transactions with the government, and sometimes mandatorily in specific exchange transactions. One additional member, Burundi, joined this group during the 2011–12 reporting period, when it started to calculate the official exchange rate on the basis of the buying and selling operations of commercial banks with their customers instead of using the auction exchange rate. Among the 24 members that report having no official or reference exchange rates, half (12) are countries with no separate legal tender.

Foreign Exchange Markets

In 2011, there were only minor changes in the reported foreign exchange market structure of members (Table 6). The most noteworthy developments were the increase in the number of countries maintaining official foreign exchange auctions (by 3) and in the number of countries that have over-the-counter interbank markets (by 6). Table 7.a. includes detailed descriptions of changes concerning foreign exchange market arrangements.

Table 6. Foreign Exchange Market Structure, 2009–12

(Number of IMF members as of April 30 each year)[1]

	2009[2]	2010[3]	2011	2012
Spot exchange market	**179**	**183**	**186**	**187**
Operated by the central bank	84	105	117	115
Foreign exchange standing facility	. . .	. . .	80	77
Allocation	29	29	31	30
Auction	31	29	26	29
Fixing	8	5	5	5
Interbank market	137	151	157	159
Over the counter	. . .	. . .	109	115
Brokerage	. . .	. . .	45	46
Market making	. . .	. . .	73	71
Forward exchange market	**127**	**126**	**128**	**127**

Source: AREAER database.
Note: . . . indicates that information on the arrangement was not separately collected during this period.
[1] Includes 187 member countries and three territories: Aruba (Netherlands), Hong Kong SAR (China), and Curaçao and Sint Maarten (Netherlands) for 2011 and 2012, which were previously included as the Netherlands Antilles.
[2] Does not include Kosovo and Tuvalu, which became members of the IMF on June 29, 2009, and June 24, 2010, respectively.
[3] Does not include Tuvalu, which became a member of the IMF on June 24, 2010.

Foreign Exchange Standing Facility, Allocations, Auctions, and Fixing

More than half of IMF member countries (115) report maintaining some type of official facility on the part of the central bank in the spot foreign exchange market, a decrease of two from the previous year. Chile, China, the Dominican Republic, and Pakistan, which previously had such facilities, reported not having any central-bank-operated mechanisms in the spot exchange market, whereas Hungary and Uganda began to operate auctions during the reporting period.

- Almost two-thirds of members with foreign exchange markets fully or partially operated by the central bank report maintaining a foreign exchange standing facility (77). Such a facility allows market participants to buy foreign exchange from or sell it to the central bank at predetermined exchange rates and is usually instrumental in maintaining a hard or soft peg arrangement. The credibility of such arrangements depends to a large extent on the availability of foreign exchange reserves backing the facility. All countries with currency boards (12) or conventional pegs (43) have a foreign exchange standing facility. The remaining 22 countries primarily have stabilized arrangements (8) or other managed arrangements (9). Burundi, Croatia, and the Dominican Republic report having eliminated their foreign exchange standing facilities.
- There was an increase (by 3) in the number of countries holding official foreign exchange auctions (29). Almost half these countries have exchange rate regimes classified as floating (14). Auctions have been increasingly used to influence the exchange rate rather than solely to manage foreign reserves. For example, Mexico switched from auctioning put options, which can be exercised if the exchange rate appreciates above a certain threshold and were designed to accumulate international reserves, to a mechanism involving foreign exchange sales auctions, which are held if the exchange rate depreciates by more than 2 percent since the previous day. Similarly, Turkey switched from regular foreign exchange buying auctions to foreign exchange selling auctions, while changing the rules and daily limits of auctions multiple times during

this reporting period. Chile's foreign exchange purchase program lasted from January through December 2011 with a total of US$12 billion in preannounced accumulated purchases in daily auctions. Colombia extended daily direct purchase auctions to build up reserves several times and changed the parameters of its volatility options mechanism. Paraguay started to hold foreign exchange auctions while continuing its bilateral foreign exchange operations with banks, albeit at a diminished pace. Myanmar began to hold foreign exchange auctions to support the managed floating exchange rate regime in a significant step toward a more market-oriented and unified exchange rate system. These auctions will also help further develop the interbank market. Hungary launched a program of foreign exchange sales to provide banks with liquidity for a specific purpose, although this was discontinued after five months.[14]

- The number of countries with allocation systems decreased by one (to 30). Myanmar no longer provides foreign exchange at official rates for certain public sector imports and instead relies on a regular multiple-price auction to support the interbank market. Foreign exchange allocation is often used to provide foreign exchange for strategic imports, such as oil or food, when foreign exchange reserves are scarce. When these arrangements result in rationing, they can give rise to exchange restrictions.
- Only Belarus and Mauritania continue to operate fixing sessions on a regular basis. Serbia retains the option of using fixing sessions when necessary to stabilize the foreign exchange market. Although Syria indicated using fixing sessions during this reporting period, the extent and regularity of its operations are unknown. Libya stopped holding fixing sessions and uses both a foreign exchange standing facility and an allocation system. Fixing sessions are more characteristic of an early stage of market development, when they help establish a market clearing exchange rate in a shallow market with less-experienced market participants.

Interbank and retail foreign exchange markets

Two additional countries report having a functioning interbank market: Myanmar and Turkmenistan. The main types of interbank markets in these 159 countries include over-the-counter markets, brokerage arrangements, and market-making arrangements. Thirty-one members allow operation of all three types of systems.

- Among the countries with a functioning interbank market, in more than two-thirds (115) the interbank market operates over the counter, with 61 of those operating exclusively over the counter; nearly one-half (71) employ a market-making arrangement; and slightly less than one-third (46) allow for intermediation by brokers.
- Over-the-counter operations account for the majority of interbank markets because in a number of economies, particularly small economies, market participants cannot undertake the commitments of a market maker. Over-the-counter foreign exchange markets operate in developed economies as well, where the market is sufficiently liquid to operate without the support of specific arrangements or institutions.
- Seven members reported an inactive interbank market.
- Forty-six members report using brokers (for example, Korea and Singapore).
- Seventy-one members report the use of market-making agreements in the interbank market, a decrease of 2 since last year due to reporting corrections. This form of market arrangement is used both in developed economies (such as Switzerland) and developing economies (such as Zambia) and across all types of exchange rate arrangements.

More than two-thirds of the membership reports a framework for foreign exchange bureaus. The majority of these countries impose a licensing requirement, but in a number of them, there are no bureaus in operation. Several changes were implemented with respect to exchange bureaus during the reporting period. Barbados required authorized dealers to surrender 5 percent of their gross foreign exchange purchases to the central bank. Bolivia subjected foreign exchange bureaus to supervision and regulation for the first time. Guinea tightened foreign exchange regulations by raising the deposit required to operate an exchange bureau from 20

[14] The objective of the foreign exchange auctions was to provide banks with foreign currency to close their open positions arising from early repayment of foreign-currency-denominated mortgages by their clients. Banks could voluntarily participate in the auctions, in which all bids close to prevailing foreign exchange market rates were accepted.

million to 100 million Guinean francs. Morocco raised the limit on the amount that cash exchange bureaus in duty-free lounges are allowed to hold. Serbia modified the regulation regarding the excess amount of dinars that exchange bureaus are required to transfer into their current accounts with banks by extending the period during which such transfers must be made (easing) but lowering the threshold that defines the excess amount (tightening). Ukraine increased the ceiling on the daily amount of foreign exchange an individual may purchase (easing), while beefing up the requirement to present identification and proof of residency of clients (tightening).

The majority of members refrain from restricting exchange rate spreads and commissions in the interbank market. The number of countries that allow authorized dealers to freely determine their bid-ask spreads and commissions in the interbank market increased by 21 to 105. A number of countries report controls on interbank currency pricing, including Botswana, China, the Democratic Republic of the Congo, Haiti, and Saudi Arabia. The spread limits are often agreed among market participants in the context of market-making or other ad hoc agreements. These limitations are generally implemented in the context of fixed or stabilized exchange rate arrangements.

There were several developments in currency pricing. Belarus repealed the restriction that limited banks' exchange rates to within 2 percent of the official rate. China widened the interbank trading fluctuation band from ±0.5 percent to ±1 percent around the central parity released on the same day by the China Foreign Exchange Trading System. Guinea cancelled banks' commissions and fees in cash for foreign exchange transactions with clients. Myanmar, as part of a transition to a more flexible exchange rate regime, introduced a number of measures in foreign exchange trading in order to unify the multiple exchange rate system by imposing a transaction range of ±0.8 percent around the reference rate for banks' transactions with clients and ±0.3percent around the reference rate for interbank trading.

Table 7. a. Changes in Foreign Exchange Markets, 2011–12

Country	Change	Type
Barbados	Effective August 3, 2011, the Central Bank of Barbados (CBB) required authorized foreign exchange dealers to surrender 5% of their gross foreign exchange purchases to the CBB.	Tightening
Belarus	Effective September 14, 2011, transactions involving purchases and sales of foreign currency for Belarusian rubels on the over-the-counter currency market may not exceed one lot.	Tightening
Belarus	Effective September 14, 2011, the National Bank of the Republic of Belarus (NBRB) repealed the 2% limit on deviation from official rubel exchange rates.	Easing
Bolivia	Effective June 16, 2011, foreign exchange bureaus became subject to the supervision and regulation of the Financial System Supervisory Authority, with a deadline of June 29, 2012, for existing bureaus to come into compliance.	Tightening
Bolivia	Effective January 2, 2012, the fee on outward funds transfers by the financial system through the Central Bank of Bolivia (CBB) was set at 1%, and the fee on inward funds transfers by the financial system through the CBB was set at 0.6%.	Tightening
Burundi	Effective March 12, 2012, the Bank of the Republic of Burundi commenced biweekly auctions on Tuesdays and Fridays at 9:30 a.m. Each lot of bids is processed at the offered rate.	Neutral
Chile	Effective January 5, 2011, the Central Bank of Chile (CBC) launched a foreign currency purchasing program aimed at strengthening its international liquidity position through daily auctions to buy US$50 million up to a total of US$12 billion.	Neutral
Chile	Effective December 16, 2011, the auctions under the foreign currency purchasing program ended with the completion of US$12 billion in purchases by the CBC.	Neutral
China	Effective January 1, 2011, the State Administration of Foreign Exchange (SAFE) classified foreign exchange market makers into three types to increase liquidity in China's foreign exchange market and boost its development: spot trading market makers, forwards and swap trading market makers, and comprehensive market makers.	Neutral

Table 7.a. Changes in Foreign Exchange Markets, 2010–11 (continued)

Country	Change	Type
China	Effective March 1, 2011, the SAFE permitted qualified foreign-exchange-designated banks to launch renminbi (RMB)–foreign exchange cross-currency swap operations for customers.	Easing
China	Effective April 1, 2011, the SAFE permitted the interbank foreign exchange market to introduce trading of RMB versus foreign exchange options and banks to handle options services for customers.	Easing
China	Effective December 1, 2011, the SAFE permitted banks to handle RMB versus foreign exchange option portfolio operations.	Easing
China	Effective April 16, 2012, the floating band of the RMB's trading prices against the U.S. dollar in the interbank foreign exchange market was widened from 0.5% to 1%—i.e., on each business day, the trading prices of the RMB against the U.S. dollar in the interbank foreign exchange market may fluctuate within a band of ±1% around the central parity released on the same day by the China Foreign Exchange Trading System. The spread between the RMB and the U.S. dollar selling and buying prices offered by foreign-exchange-designated banks to their customers may not exceed 2% of the central parity (previously 1%).	Easing
Colombia	Effective February 25, 2011, the Banco de la República (BR) extended daily purchases of at least US$20 million until June 17, 2011 (previously, March 15, 2011).	Neutral
Colombia	Effective May 30, 2011, the BR extended daily purchases of at least US$20 million until September 30, 2011 (previously, June 17, 2011).	Neutral
Colombia	Effective September 30, 2011, the BR ended the daily purchases of at least US$20 million in the spot market in favor of a single auction of US$200 million in direct purchases and sales of U.S. dollars to prevent excessive volatility in the exchange rate if the peso moved ±2% from its 10-day moving average.	Neutral
Colombia	Effective October 28, 2011, the BR enabled the volatility options mechanism of foreign exchange market intervention, calculated on the basis of the 20-day moving average with an auction of US$200 million if the peso moved up or down 4%. This mechanism replaced the previous options auctions mechanism.	Neutral
Colombia	Effective February 6, 2012, the BR suspended the options mechanism to control volatility and decided to increase the level of international reserves by making daily purchases of a minimum of US$20 million through competitive auctions for at least three consecutive months starting February 6, 2012.	Neutral
Colombia	Effective February 24, 2012, the BR extended the program of daily purchases of a minimum of US$20 million to at least August 4, 2012.	Neutral
Czech Republic	Effective April 30, 2011, all noncash foreign exchange institutions were required to obtain a new payment institution license or a small payment institution registration.	Tightening
Egypt	Effective April 1, 2011, new official restrictions were imposed on bid-ask spreads quoted by authorized foreign exchange dealers: (1) the client bid rate was allowed to move from 150 basis points below the interbank bid rate to a maximum equal to the interbank bid rate; and (2) the client offer rate must be within a range of 50 to 150 basis points above the Interbank offer rate. Previously, there were no official restrictions on bid-ask spreads quoted by authorized foreign exchange dealers.	Tightening
Fiji	Effective January 1, 2012, authorized banks were permitted to write net forward sales contracts up to 20 million Fiji dollars.	Easing
Guatemala	Effective January 1, 2011, the fluctuation margin (added to or subtracted from the five-day moving average of the exchange rate) used to determine whether the Bank of Guatemala may intervene in the foreign exchange market was widened from 0.5% to 0.6%, in accordance with Monetary Board Resolution No. JM-161-2010.	Easing
Guinea	Effective March 25, 2011, regulations for exchange bureaus were tightened. In particular, the deposit required to operate an exchange bureau was raised from 20 million Guinean francs (GF) to GF 100 million.	Tightening
Guinea	Effective September 16, 2011, commissions and fees in cash foreign exchange transactions with clients were canceled.	Easing

Table 7.a. Changes in Foreign Exchange Markets, 2011–12 (continued)

Country	Change	Type
Hungary	Effective October 3, 2011, the Magyar Nemzeti Bank (MNB) launched a program of foreign exchange sale tenders to provide banks with foreign currency to close their open positions arising from early repayment of foreign-currency-denominated mortgages. Banks may participate in these tenders with their own bids, of which the MNB accepts all bids close to prevailing foreign exchange market rates in a multiple rate auction.	Neutral
Hungary	Effective February 27, 2012, the MNB discontinued the program of foreign exchange sale tenders.	Neutral
India	Effective February 1, 2011, the revised guidelines on over-the-counter Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risks issued December 28, 2010, went into effect.	Neutral
Indonesia	Effective January 21, 2011, the Bank Indonesia (Regulation No. 13/4/PBI/2011] revoked the facility that provided foreign exchange liquidity to domestic companies by conducting spot transactions through commercial banks in connection with economic activities in Indonesia.	Tightening
Israel	Effective January 27, 2011, the Bank of Israel imposed a 10% reserve requirement on nonresidents' new shekel (NIS)–foreign currency swap transactions and foreign currency forwards.	Tightening
Israel	Effective July 1, 2011, the Bank of Israel imposed reporting requirements on NIS–foreign currency swaps and foreign currency forwards and on nonresidents' transactions in makam bills and short-term government bonds.	Tightening
Lebanon	Effective November 5, 2011, the total shortage in margin for all operations may not exceed 8% of a bank's capital.	Tightening
Libya	Effective May 1, 2011, the Central Bank of Libya (CBL) imposed a ban on domestic retail foreign exchange transactions.	Tightening
Libya	Effective December 31, 2011, institutions resumed foreign exchange transactions.	Easing
Lithuania	Effective January 1, 2012, electronic money institutions were allowed to perform foreign exchange operations to the extent they relate to the issuance of electronic money and the provision of other payment services.	Neutral
Maldives	Effective April 11, 2011, the buying and selling rates of the U.S. dollar in the official market were limited by the Maldives Monetary Authority within the bounds of the 20% exchange rate band around the central parity rate of 12.85 Maldivian rufiyaas (Rf) per U.S. dollar. Previously, the rufiyaa was pegged to the U.S. dollar at a buying rate of Rf 12.75 per U.S. dollar and a selling rate of Rf 12.85 per U.S. dollar. Commercial banks freely exchange other currencies with their clients.	Easing
Mauritania	Effective June 27, 2011, the amount of bids a bank may submit in the same session of the interbank market was capped at 130% of its free reserves (total reserves minus required reserves).	Tightening
Mexico	Effective November 30, 2011, the Bank of Mexico (BOM) temporarily suspended the mechanism of monthly put option auctions until further notice. Previously, the BOM used the put options as an intervention mechanism, giving the buyer the right to sell U.S. dollars when the exchange rate appreciated above its 20-day moving average. The BOM sold put options for US$600 million each month from February 2010 through October 30, 2011, and the BOM bought foreign exchange amounting to US$9.08 billion from option holders who exercised these options 50 times during the same period.	Neutral
Mexico	Effective November 30, 2011, the BOM announced that it would sell up to US$400 million daily through auctions at a minimum price that is 2% below (1.02 times the Mexican peso per U.S. dollar) the previous day's average in the event of a more than 2% depreciation from the previous day. This mechanism was not used by April 30, 2012.	Neutral
Morocco	Effective May 23, 2011, the maximum amount of cash that exchange bureaus in duty-free (hors douane) departure lounges are allowed to hold was raised to 600,000 Moroccan dirhams (DH) from DH 250,000.	Easing

Table 7.a. Changes in Foreign Exchange Markets, 2011–12 (continued)

Country	Change	Type
Mozambique	Effective April 27, 2011, the adoption of a new regulation on the interbank exchange market discontinued the previous multiple price foreign exchange auction system, which had not been used since 2009. Until March 2009, the Bank of Mozambique occasionally held multiple price auctions to sell foreign exchange.	Neutral
Myanmar	Effective October 1, 2011, the thein phyu (TP) currency exchange market was introduced.	Neutral
Myanmar	Effective January 26, 2012, customers may buy or sell up the equivalent of US$10,000 in U.S. dollars, Singapore dollars, euros, and foreign exchange certificates without providing documentation in the TP market. For transactions exceeding this amount, further documentation is required. Previously, additional documentation was required for all transactions.	Easing
Myanmar	Effective February 9, 2012, private banks with money changer licenses that buy and sell foreign exchange may transact at rates in the range of ±0.8% around the midrate determined by the TP Pricing Committee.	Tightening
Myanmar	Effective February 9, 2012, eligible wholesale private banks authorized to deal in foreign exchange may settle foreign exchange transactions among themselves using foreign exchange accounts at the Central Bank of Myanmar (CBM). The exchange rate applied for transfers between their foreign exchange accounts may be within the range of ±0.3% around the midrate determined by the supervisory committee.	Tightening
Myanmar	Effective April 2, 2012, the CBM reference rate is used to set the midrate in the retail TP market and in the wholesale/interbank market for authorized dealers.	Neutral
Myanmar	Effective April 2, 2012, the CBM began to hold daily two-way foreign exchange auctions of U.S. dollars open to foreign exchange authorized dealer banks.	Neutral
Nigeria	Effective March 23, 2011, the Central Bank of Nigeria began to engage in foreign exchange forward transactions with the aim of transforming and deepening Nigerian financial markets. These transactions take place with authorized dealers in the market for the benefit of foreign exchange users in the economy.	Neutral
Pakistan	Effective December 21, 2011, a new regulation restricts currency forwards to tenors between 1 and 12 months, and they must match in tenor hedgers' transactions.	Tightening
Serbia	Effective January 1, 2012, according to the Decision on Terms and Conditions for Performing Exchange Operations (RS Official Gazette, No. 93/2011), the period during which exchange bureaus must transfer any excess amount of dinars to their current account with a bank was increased to within seven working days from within the same day or not later than the following working day.	Easing
Serbia	Effective January 1, 2012, according to the Decision on Terms and Conditions for Performing Exchange Operations (RS Official Gazette, No. 93/2011), the threshold that determines the excess amount of dinars exchange bureaus must transfer to their current account with a bank was decreased to double from triple the average amount of dinars used for the purchase of foreign cash in the month with the highest purchase in the preceding 12 months.	Tightening
Sri Lanka	Effective January 1, 2012, forward contracts for the sale and/or purchase of foreign exchange between authorized dealers and their clients are limited to a maximum period of 90 days. Such contracts may be concluded only on payments and receipts in foreign exchange for established transactions for trade in goods and services and permitted capital transactions.	Tightening
Sudan	Effective April 5, 2012, as a temporary arrangement, each client was allowed to have only one foreign currency check not exceeding US$100,000 in the clearinghouse.	Tightening
Turkey	Effective January 3, 2011, the Central Bank of the Republic of Turkey (CBRT) increased the regular daily amount to be purchased at auction from US$40 million to US$50 million, without giving banks the right to sell an optional amount. Previously, it held regular purchase auctions of US$40 million daily, with an optional US$40 million selling amount granted to successful bidders.	Neutral
Turkey	Effective May 31, 2011, the CBRT lowered the regular daily amount to be purchased at auction from US$50 million to US$40 million.	Neutral
Turkey	Effective June 29, 2011, the CBRT lowered the regular daily amount to be purchased at auction from US$40 million to US$30 million.	Neutral

Table 7.a. Changes in Foreign Exchange Markets, 2010–11 (continued)

Country	Change	Type
Turkey	Effective July 25, 2011, the CBRT suspended foreign exchange buying auctions.	Neutral
Turkey	Effective August 5, 2011, the CBRT resumed foreign exchange selling auctions to be held on days when it deemed it necessary to provide liquidity to the market. Institutions authorized to operate in the foreign exchange and banknotes markets could participate in the auctions. The auctions were not held on (1) U.S. payment system holidays, (2) half-day workdays, and (3) days the CBRT directly intervened before the auction opening hours. The amount to be bought and the auction number were posted on Reuters page CBTQ at 1:30 p.m., and institutions submitted bids between 1:40 and 2:00 p.m. Offers were sent through the electronic funds transfer system. The auction was a multiple price auction, and the results were posted on Reuters page CBTQ. Offers are made at a minimum and in multiples of US$1 million. The maximum subscription could not exceed 20% of total auction volume. Banks could not change the amount and price of their offers once submitted. If multiple offers were made at the winning price, the amount was distributed proportionally. Penalties were applied to banks that violate the auction terms.	Neutral
Turkey	Effective August 9, 2011, the CBRT lending rate for foreign exchange deposits borrowed by banks in the foreign exchange deposit markets was reduced to 4.5% from 5.5% for U.S. dollars and to 5.5% from 6.5% for euros.	Easing
Turkey	Effective September 12, 2011, on days the CBRT decided to sell foreign exchange, based on daily market developments, the selling amount announced on Reuters page CBTQ was the maximum daily amount to be sold. After receiving the offers, when deemed necessary, the CBRT could sell less than the announced maximum selling amount for the day.	Neutral
Turkey	Effective November 10, 2011, the CBRT resumed its intermediary function in the foreign exchange deposit market. Previously, despite termination of intermediation by the CBRT, banks could still borrow foreign exchange from the CBRT within their limits.	Tightening
Turkey	Effective November 29, 2011, the maximum amount of foreign exchange that could be sold at auction on the following two workdays began to be announced on Reuters page CBTQ at 3:00 p.m.	Neutral
Turkey	Effective December 27, 2011, the maximum amount that could be sold at the daily selling auctions was set at US$1,350 million, and the maximum amount that could be sold for the following two working days was set at US$1,700 million until the next Monetary Policy Committee Meeting. However, except under extraordinary circumstances, only US$50 million of received offers would be met. Under extraordinary circumstances, the CBRT, when deemed necessary for price stability and financial stability, could fulfill more than US$50 million of the offers received, within the preannounced limit.	Neutral
Turkey	Effective December 27, 2011, the CBRT extended the maturity of foreign exchange deposits borrowed by banks in the foreign exchange deposit markets from one week to one month.	Easing
Turkey	Effective December 30, 2011, foreign exchange selling auctions could be held even on days when the CBRT intervened directly in the market before the auction opening hours.	Neutral
Turkey	Effective January 6, 2012, in order to support additional monetary tightening, the CBRT began to conduct intraday foreign exchange selling auctions as necessary. A ceiling of US$50 million was set for total volume of foreign exchange sold.	Neutral
Turkey	Effective January 25, 2012, the CBRT suspended regular foreign exchange selling auctions. However, when deemed necessary, the CBRT could continue to conduct intraday foreign exchange selling auctions, and the maximum daily amount to be sold was set at US$500 million.	Easing
Turkmenistan	Effective October 1, 2011, the Law of Turkmenistan on Foreign Exchange Regulation and Control in Foreign Economic Relations went into effect.	Neutral

Table 7.a. Changes in Foreign Exchange Markets, 2010–11 (concluded)

Country	Change	Type
Ukraine	Effective March 1, 2011, authorized banks may perform transactions involving the purchase and sale of foreign currency for hryvnias in-house and among themselves during the entire operating day of the Agreement Confirmation System, from 10:00 a.m. to 5:00 p.m. and from 10:00 a.m. to 4:00 p.m. on Fridays and days preceding holidays.	Easing
Ukraine	Effective May 20, 2011, authorized banks may operate in the interbank foreign exchange market simultaneously as both buyers and sellers of each type of foreign currency and perform transactions on their own behalf within their open foreign exchange position limits. Previously, banks were not allowed to change their positions in the interbank market during the course of a day.	Easing
Ukraine	Effective May 30, 2011, authorized banks were given the right to perform among themselves foreign exchange swap transactions involving the purchase and sale of foreign currency in National Bank of Ukraine Classification Group 1 for a term of no more than 365 days.	Easing
Ukraine	Effective September 23, 2011, the maximum amount of foreign currency that a single individual may buy daily from banks was raised from the equivalent of HRV 80,000 to HRV 150,000.	Easing
Ukraine	Effective September 23, 2011, banks and nonbank financial institutions must require clients' identification and proof of residence for all cash foreign exchange purchases. Previously, the presentation of identification was required only when the transaction amount exceeded the equivalent of HRV 15,000.	Tightening
Ukraine	Effective September 30, 2011, by December 17, 2011banks must replace written permits for certain operations involving foreign exchange assets with general licenses, as prescribed under Decree No. 15-93 of the Cabinet of Ministers of Ukraine on the Foreign Exchange Regulation and Foreign Exchange Control System.	Neutral
Ukraine	Effective February 17, 2012, authorized banks may engage in swap and forward transactions involving the purchase and sale of bank metals.	Easing
Uruguay	Effective November 30, 2011, the minimum price fluctuation for forward foreign currency transactions executed on formal exchanges (e.g., Bolsa Electronica de Valores (BEVSA)) was reduced from \$0.05 to \$0.01.	Tightening

Source: AREAER database.
Note: Includes changes from January 2011 through July 2012.

Other Measures

Most of the changes in other measures during the reporting period refer to taxes on foreign exchange transactions and forward and swap operations (Tables 7.a and 7.b).

- Unlike during 2010–11, changes in forward transactions gravitated toward easing (see Table 7.a): there were six easing and five tightening measures and two neutral changes. For example, China, in a series of steps, permitted and extended the trading in renminbi–foreign currency swaps. In order to gain more control over foreign exchange market volatility, Israel introduced a 10 percent reserve requirement on nonresidents' swap and forward transactions, followed six months later with a reporting requirement on these transactions. Lebanon imposed a maximum limit of 8 percent of bank capital on margin shortages. Pakistan limited the currency forward terms between 1 and 12 months, and Sri Lanka to 90 days. As part of its foreign exchange market liberalization efforts, Ukraine authorized banks to trade in foreign exchange swaps among themselves. Fiji gave permission to authorized banks to write net forward sales up to 20 million Fiji dollars. Among the neutral changes, the Central Bank of Nigeria began to engage in foreign exchange forward transactions with authorized dealers.
- There was no change in the number of countries maintaining dual or multiple exchange rate structures (see Table 7.b). Madagascar's exchange rate structure changed to unitary from dual with the elimination of a preferential exchange rate for oil importers, while the exchange rate structure of Kyrgyz Republic was reclassified as dual as the official rate may differ by more than 2 percent from market rates because it is

based on the average transaction-weighted rate of the preceding day. Currently, 22 countries are classified as having more than one exchange rate, of which 15 are dual and 7 multiple. This is a result mainly of specific exchange rates applied for certain transactions or actual or potential deviations of more than 2 percent between official and other exchange rates.

- There were a few changes with respect to foreign exchange taxes and subsidies (see Table 7.c). Aruba revoked the exemption from foreign exchange commissions for transactions settled in Netherlands Antilles guilders. Responding to changes in capital inflows, Brazil took a series of steps that increased financial operations taxes on various types of foreign exchange transactions through the first half of 2011 and eased some of these taxes by granting a number of exemptions as well as reducing the rates after December 2011. Foreign exchange taxes appear to be most popular in African countries, followed by members in the western hemisphere. Overall, 32 countries (one more than last year) tax foreign exchange transactions. On the other hand, only two countries (Serbia and Sudan) have foreign exchange subsidies in place benefiting certain export sectors.
- Finally, a series of neutral changes were recorded (see Table 7.b). A few members introduced new coins or notes (Malta, Mozambique). The government of Zambia approved the plan to rebase the kwacha during 2012. Estonia adopted the euro.

Table 7. b. Changes in Currency and Exchange Rate Structures, 2011–12

Country	Change	Type
Estonia	Effective January 1, 2011, the currency of Estonia changed from the Estonian kroon to the euro when Estonia joined the European Economic and Monetary Union.	Neutral
Kyrgyz Republic	Effective November 18, 2011, the exchange rate structure was reclassified as dual as the official rate may differ by more than 2% from market rates because it is based on the average transaction-weighted rate of the preceding day.	Tightening
Madagascar	Effective January 25, 2011, the preferential exchange rate for oil importers of 2,000 Malagasy ariary (MGA) per U.S. dollar was reinstated. The exchange rate structure was reclassified from unitary to dual.	Tightening
Madagascar	Effective March 31, 2011, the preferential rate of MGA 2,000 per U.S. dollar for oil importers was discontinued. Accordingly, the exchange rate structure was reclassified from dual to unitary.	Easing
Malta	Effective November 28, 2011, the Central Bank of Malta issued the first in a series of €2 commemorative coins to highlight milestones in Malta's constitutional history.	Neutral
Mozambique	Effective October 1, 2011, a new series of Mozambican metical (Mt) notes was introduced with the launch of polymer Mt 20, Mt 50, and Mt 100 notes as well as improvements to the Mt 200, Mt 500, and Mt 1,000 denominations to make them more durable.	Neutral
Myanmar	Effective April 2, 2012, the official exchange rate was eliminated.	Easing
Sudan	Effective April 23, 2011, the premium that authorized banks and foreign exchange bureaus pay to buy foreign exchange from the Central Bank of Sudan above their buying rates, which varied previously, was set constant at 4.77 Sudanese pounds.	Neutral
Suriname	Effective January 20, 2011, the authorities devalued the currency by 20% vis-à-vis the U.S. dollar in the official market. With the devaluation, the authorities set a band of 3.25–3.35 Surinamese dollars per U.S. dollar, within which all official and commercial market transactions are allowed to take place. In conjunction with the devaluation, the authorities also did away with the subsidy for imports of infant formula.	Easing

Table 7. b. Changes in Currency and Exchange Rate Structures, 2011–12 (concluded)

Country	Change	Type
Venezuela	Effective January 11, 2011, the Central Bank of Venezuela unified the official exchange rate at 4.30 bolívar fuertes (Bs) per U.S. dollar from Bs 4.30 and Bs 2.60 per U.S. dollar. The implicit rate in the Transaction System for Foreign-Currency-Denominated Securities remains Bs 5.30 per U.S. dollar. Previously, the exchange rate structure was multiple, with the following rates: (1) Bs 4.30 per U.S. dollar, official rate for most imports; (2) Bs 2.60 per U.S. dollar, official rate for imports of food, medicine, and machinery (priority goods); and (3) Bs 5.30 per U.S. dollar for SITME transactions. Accordingly, the exchange rate structure was changed from multiple to dual.	Easing
Zambia	Effective January 23, 2012, the government of Zambia approved the recommendation of the Bank of Zambia board of directors to rebase the kwacha in 2012.	Neutral

Source: AREAER database.
Note: Includes changes from January 2011 through July 2012.

Table 7. c. Changes in Exchange Subsidies and Exchange Taxes, 2011–12

Country	Change	Type
Angola	Effective December 30, 2011, the stamp duty on foreign exchange operations was decreased from 0.15% to 0.001%, according to Presidential Legislative Decree No. 6/11 of December 30, 2011.	Easing
Aruba	Effective January 1, 2012, the exemption from foreign exchange commissions for transactions settled in Netherlands Antillean guilders was revoked (AB 2011 No. 76).	Tightening
Brazil	Effective January 1, 2011, the IOF rate was increased from zero to 2% on inflows, including through simultaneous foreign exchange operations contracted since January 1, 2011, derived from cancellation of depository receipts in order to convert them into shares traded on the stock exchange.	Tightening
Brazil	Effective January 1, 2011, the rate of the financial operations tax (IOF) was increased from zero to 2% on inflows, including through simultaneous foreign exchange operations related to inflows of foreign direct investment (FDI) under provisions of Law No. 4.131 (September 3, 1962) contracted since January 1, 2011, and destined for investment in shares traded on the stock exchange.	Tightening
Brazil	Effective January 1, 2011, an IOF rate of zero was applied to remittances of funds invested by foreign investors in the financial and capital markets related to certain transactions taxed at 2% or 6%.	Easing
Brazil	Effective January 1, 2011, the IOF rate was decreased from 6% to 2% on inflows, including through simultaneous foreign exchange operations by foreign investors to purchase shares of participation investment funds, emerging companies' investment funds, or investment funds in shares of equity funds regulated by the Securities and Exchange Commission (CVM).	Easing
Brazil	Effective March 25, 2011, the IOF rate for outflows related to obligations of credit card administration companies to pay for purchases by their clients was increased from 2.38% to 6.38%.	Tightening
Brazil	Effective March 28, 2011, the IOF rate for inflows related to external loans with a maximum maturity of 360 days was increased from zero to 6%.	Tightening
Brazil	Effective April 6, 2011, the maximum maturity of external loans subject to 6% IOF rate was increased from 360 days to 720 days	Tightening

Table 7. c. Changes in Exchange Subsidies and Exchange Taxes, 2011–12 (concluded)

Country	Change	Type
Brazil	Effective December 1, 2011, the following foreign exchange inflows transactions are subject to an IOF rate of zero, including through simultaneous foreign exchange operations: (1) the acquisition of bonds and securities related to investment projects in the area of infrastructure or research and development issued in accordance with Law No. 12.431/2011 (previously, the tax rate was 6%); (2) purchases of variable-income securities traded on a stock exchange or commodities and futures exchange (previously, 2%); and (3) inflows, including through simultaneous foreign exchange operations, for purchase of fixed debentures with maturities longer than four years (previously, 6%).	Easing
Brazil	Effective December 1, 2011, the following foreign exchange transactions became subject to an IOF rate of zero for inflows, including through simultaneous foreign exchange operations: (1) the acquisition of shares in a public offering (previously, the tax rate was 2%); (2) the acquisition of shares of participation investment funds, investment funds in emerging companies, and investment funds in quotas of these funds (previously, 2%); (3) the cancellation of depository receipts for investment in shares negotiated on a stock exchange (previously, 2%); (4) changes in the regime of a foreign investor, from direct investment provided by Law No. 4.131/1962 to investment in shares negotiated on a stock exchange (previously, 2%); and (5) simultaneous foreign exchange operations contracted after December 1, 2011, related to inflows of FDI under Law No. 4.131 (September 3, 1962) and destined for investment in shares traded on a stock exchange, according to regulations issued by the National Monetary Council (previously, 2%).	Easing
Brazil	Effective December 1, 2011, an IOF rate of zero is applied to (1) simultaneous foreign exchange operations contracted after December 1, 2011, related to inflows of FDI under Law No. 4.131 (September 3, 1962) and destined for investment in shares traded on a stock exchange (previously, 2%); and (2) simultaneous foreign exchange operations contracted after January 1, 2011, related to outflows (return) of FDI under Law No. 4.131 (September 3, 1962) and destined for investment in shares traded on a stock exchange (previously, 2%).	Easing
Brazil	Effective February 29, 2012, the IOF rate was reduced from 2% to zero for settlements of simultaneously contracted foreign exchange transactions after December 1, 2011, related to inflows regarding to cancellation of depository receipts that are invested in the acquisition of stocks in the stock market.	Easing
Brazil	Effective February 29, 2012, the IOF 6% rate maximum maturity was increased from 720 days to 1,080 days for inflows related to external loans.	Tightening
Brazil	Effective March 12, 2012, the IOF 6% rate maximum was increased from 1,080 days to 1,800 days for inflows related to external loans.	Tightening
Brazil	Effective June 14, 2012, the maximum maturity of external loans subject to the 6% IOF rate was decreased from 1,800 days to 720 days.	Easing
Ukraine	Effective January 28, 2011, the mandatory government pension insurance fee, which was collected on cashless foreign exchange transactions involving the purchase of foreign currency for hryvnias, was repealed by Law of Ukraine No. 2921-VI of January 13, 2011, on Amendments to the Law of Ukraine on the Fee for Mandatory Government Pension Insurance.	Easing

Source: AREAER database.
Note: Includes changes from January 2011 through July 2012.

Member Countries' Obligations and Status under Article VIII

This section gives a brief overview of the status of IMF members' acceptance of the obligations of Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement. It also describes recent developments in exchange measures, including exchange restrictions and multiple currency practices (MCPs) subject to the IMF's jurisdiction under Articles VIII and XIV. In addition, this section covers exchange measures that countries impose for national and/or international security reasons. This section refers to changes during 2011 and to country positions as reported in the last IMF staff report issued by the cutoff date, December 31, 2011.

In accepting the obligations of Article VIII, Sections 2(a), 3, and 4, members agree not to impose restrictions on payments and transfers for current international transactions or engage in discriminatory currency arrangements or MCPs, except with IMF approval. Mozambique accepted these obligations as of May 20, 2011, increasing to 168 the number of countries that have done so. Nineteen members continue to avail themselves of transitional arrangements under Article XIV with respect to measures under IMF jurisdiction in effect at the time they became IMF members.[15] IMF staff reports indicate that out of the 19 members, 3 (Afghanistan, Liberia, Tuvalu) do not have any restrictions; Albania, Angola, Bhutan, and Syria maintain restrictions under Article XIV only; and 13 maintain restrictions subject to Article VIII.

Exchange Measures

Restrictions and/or multiple currency practices

The number of countries that imposed restrictive measures on current international payments and transfers increased by 1 to 44 during 2011 (Table 8). The number of restrictions declined slightly, from 100 to 95 measures, as fewer new exchange measures were identified than eliminated. The average number of restrictions per member country maintaining such restrictions declined slightly to 2.2. While the decline in the total and average number of restrictive measures suggests some overall easing, the direction of net economic effects is difficult to ascertain because the measures vary widely in scope and economic impact.

The total number of Article XIV countries that maintain restrictions or MCPs under Article VIII or Article XIV declined by 1 to 14, reflecting the elimination of restrictions in Mozambique. Mozambique accounted for the full decline (by 5) in the total number of restrictions before it accepted the obligations of Article VIII. The average number of restrictions by each of these Article XIV countries declined slightly to 3.7.

In contrast, the total number of Article VIII countries maintaining restrictions increased by 2 to 30, with a restrictive measure identified in both Belarus and the Kyrgyz Republic. The number of restrictive measures maintained by Article VIII countries also increased, lowering slightly the average number of restrictions per relevant Article VIII member to 4—markedly lower than for Article XIV countries.

There were few changes during 2011 in the types of measures in place. Because of the disaggregation of the wide variety of measures listed in Table 8, the number of measures in each category is relatively low. Among Article XIV countries, before Mozambique accepted the obligations of Article VIII, it eliminated five measures (approval of family remittances, approval of current payments and transfers above a certain threshold, a restriction on the conversion of nonresident deposits in domestic currency, a restriction on advance payments for imports, and a restriction on advance payments for a service). Among Article VIII countries, Belarus and the Kyrgyz Republic adopted exchange rate practices that are considered MCPs. Nepal lifted limits on leisure travel allowances but imposed a restriction on the transfer of salaries of nonresidents. Suriname adopted an exchange rate practice deemed an MCP but lifted another MCP by eliminating a special exchange rate for imports of infant formula.

[15] The member countries with Article XIV status are Afghanistan, Albania, Angola, Bhutan, Bosnia and Herzegovina, Burundi, Eritrea, Ethiopia, Iraq, Kosovo, Liberia, Maldives, Myanmar, Nigeria, São Tomé and Príncipe, Somalia, Syria, Turkmenistan, and Tuvalu. The exchange regime of Kosovo is under IMF staff review, while that of Somalia will be reviewed as circumstances permit.

Table 8 outlines the types of exchange restrictions and MCPs subject to IMF jurisdiction. Table 9 includes descriptions of exchange restrictions by country as indicated in the relevant IMF staff reports. Excluded from Table 9 are member countries that have not consented to publication of exchange restrictions described in unpublished IMF staff reports.

As shown in Table 8, there are relatively few restrictions on payments for imports, indicating that payments for external trade transactions are generally unrestricted; when it is considered necessary to control imports, this is typically done more directly through trade regimes. Restrictions on payments for imports take the form of advance import deposit or margin requirements (Sudan); restrictions on advance payments (Swaziland); or requirements to balance imports with export earnings (Bhutan).

The number of restrictions on payments or transfers with respect to invisibles is higher than restrictions on payments for imports, reflecting some member countries' practice of conserving foreign exchange by limiting its use for activities considered low in priority and restraining large transfers of investment income. Restrictions on invisibles that typically affect individuals include limits on educational allowances, medical expenses, and travel abroad (Angola, Bhutan, Myanmar, Nepal, Sudan). Restrictions that may have a significant effect on the business sector involve restrictions on the payment or transfer of investment income. These take the form of a requirement to clear taxes and other debts to public sector entities (São Tomé and Príncipe); an exchange tax on profits (Colombia); restrictions on the payment or transfer of interest from deposits or bonds (Bangladesh, Iceland); and restrictions and limits on the payment or transfer of profits and dividends (Angola, Iran, Ukraine).

There are other transaction-specific restrictions. The amortization of external loans is defined as a payment for current international transaction in Article XXX(d) of the IMF Articles of Agreement. Accordingly, limitations on such amortization give rise to exchange restrictions under IMF jurisdiction (India). Some member countries impose restrictions on unrequited transfers such as restrictions on transfers of wages and salaries (Myanmar, Nepal) and private transfers (Angola, Bhutan). Restrictions affecting nonresident accounts arise mainly through limits on the convertibility or transferability of deposits, the majority of which are related to frozen foreign exchange accounts in the former Yugoslavia (Bosnia and Herzegovina, Montenegro, Serbia). Unsettled debit balances on bilateral or regional payments, barter, or clearing arrangements give rise to exchange restrictions (Albania, Democratic Republic of the Congo, India, Iraq, Syria, Zimbabwe).

Restrictions that have general applicability are listed separately in Table 8. Restrictions in the form of administered allocation, rationing, or undue delay are imposed by a number of members (e.g., Maldives, Syria). Other measures in this category include limits on payments above a threshold (Fiji); tax clearance certificates (Fiji, Iraq); exchange taxes (Angola, Aruba, Gabon); and a requirement to surrender certain export earnings in exchange for access to the domestic foreign exchange market (Colombia).

Table 8 shows that MCPs arise from a variety of measures. Among these are exchange taxes (Angola, Colombia); exchange subsidies (Iran); exchange rate guarantees (Tunisia); and multiple price auctions (Angola, Mongolia, Nigeria, Sierra Leone). Multiple price auctions are often implemented until a well-functioning interbank foreign exchange market develops. When the foreign exchange auction system implemented by official action allows, or does not prevent that exchange rates at which foreign exchange is sold in each auction differ from each other by more than 2 percent, the practice is considered an MCP. By far, however, the most numerous MCPs are those that arise from official actions that cause deviations of more than 2 percent relative to the exchange rate(s) within a market or across markets (or because there is no mechanism in place to prevent such deviations). Both Article VIII and Article XIV members maintain such practices (Belarus, Burundi, Democratic Republic of the Congo, Georgia, Guinea, Kyrgyz Republic, Malawi, Maldives, Mongolia, Myanmar, São Tomé and Príncipe, Suriname, Syria).

Table 8. Exchange Restrictions and Multiple Currency Practices, 2009–11

	Member Countries under								
	Article XIV status			Article VIII status			Total		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Total number of restrictions and MCPs maintained by members[1]	53	57	52	46	43	43	99	100	95
Restrictions on payments for imports	5	5	4	5	2	2	10	7	6
Advance import deposit and margin requirements				2	1	1	2	2	1
Restrictions on advance payments	1	1		3	1	1	4	1	1
Requirement to balance imports with export earnings	1	1	1				1	1	1
Restrictive rules on the issuance of import permits	1	1	1				1	1	1
Tax clearance requirements	1	1	1				1	1	1
Other	1	1	1				1	1	1
Restrictions on payments for invisibles	16	17	16	7	7	5	23	24	21
Education	1	1	1				1	1	1
Medical services	1	1	1				1	1	1
Travel services	4	4	4	1	2		5	6	4
Income on investment	7	8	8	6	5	5	13	13	13
Tax clearance requirement	2	2	2	1	1	1	3	3	3
Exchange tax on profits				1	1	1	1	1	1
Interest on deposits and bonds	1	1	1	2	2	2	3	3	3
Profits and dividends	3	3	3	2	1	1	5	4	4
Foreign exchange balancing for profit remittances	1	1	1				1	1	1
Clearance of debts to government to remit profits		1	1					1	1
Advance payment for services	1	1					1	1	
Other	2	2	2				2	2	2
Restrictions on amortization on external loans	1	1	1	2	1	1	3	2	2
Restrictions on unrequited transfers	4	5	4			1	4	5	5
Wages and salaries	1	1	1			1	1	1	2
Clearance of debt to government to remit wages		1	1					1	1
Family remittances	1	1					1	1	
Other	2	2	2				2	2	2
Restrictions on nonresident accounts	3	3	2	3	3	3	6	6	5
Transferability of frozen or blocked deposits	1	1	1	2	3	3	3	4	4
Limits on usage of foreign currency accounts	1	1	1				1	1	1

Table 8. Exchange Restrictions and Multiple Currency Practices, 2009–11 (concluded)

	Member Countries under								
	Article XIV status			Article VIII status			Total		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Convertibility of nonresident domestic currency deposits	1	1					1	1	
Other				1			1		
Restrictions arising from bilateral or regional payment, barter, or clearing arrangements									
Unsettled debit balances	2	3	3	3	4	4	5	7	7
Restrictions with general applicability	8	9	8	9	9	9	17	18	17
Administered allocations, rationing, and undue delay	4	4	4	2	3	3	6	7	7
Payments above a threshold	1	1		1	1	1	2	1	1
Tax clearance certificates	1	1	1	1			2	2	1
Exchange taxes	1	1	1	3	3	3	4	4	4
Surrender of export earnings for access to foreign exchange				1	1	1	1	1	1
Other	1	2	2	1	1	1	2	3	3
Multiple currency practices	14	14	14	17	17	18	31	31	32
Exchange taxes	4	4	4	1	1	1	5	5	5
Exchange subsidies				1	1	1	1	1	1
Multiple price auctions	2	2	2	3	2	2	5	4	4
Differentials between official, commercial, and parallel rates	7	7	7	10	10	11	17	17	18
Margin requirements				1	1	1	1	1	1
Noninterest bearing blocked accounts					1	1		1	1
Noninterest bearing advance import deposit	1	1	1				1	1	1
Exchange rate guarantees				1	1	1	1	1	1
Memorandum items:									
Average number of restrictions per member country maintaining restrictions	3.31	3.80	3.71	1.59	1.54	1.43	2.20	2.33	2.16
Number of countries with restrictions	16	15	14	29	28	30	45	43	44

Sources: AREAER database and IMF staff reports.
[1] Includes 187 members and three territories: Aruba (Netherlands), Curaçao and Sint Maarten (Netherlands), and Hong Kong SAR (China).

Exchange measures maintained for security reasons

Some member countries maintain measures imposed solely for national and/or international security reasons, which could give rise to exchange restrictions. These restrictions, like others, require prior IMF approval under Article VIII, Section 2(a). However, because the IMF does not provide a suitable forum for discussion of the political and military considerations leading to measures of this kind, it established a special procedure for such measures to be notified and approved.[16] In total, 25 members notified the IMF of measures introduced solely for security reasons during 2011, while 6 members did so in the first half of 2012. For the

[16] See Decision No.144-(52/51) in *Selected Decisions and Selected Documents of the International Monetary Fund,* Thirty-Sixth Issue (Washington: IMF, 2012).

most part, these are advanced economies. In general, these restrictions take the form of financial sanctions to combat financial terrorism or financial sanctions against certain governments, entities, and individuals, in accordance with UN Security Council resolutions or EU regulations.

Table 9. Exchange Restrictions and/or Multiple Currency Practices by Country

(as of December 31, 2011)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Albania	The IMF staff report on the 2011 Article IV Consultations with Albania states that, as of August, 24, 2011, Albania's exchange rate arrangement is free from exchange restrictions and multiple currency practices subject to Fund jurisdiction under Article VIII. However, the country still avails itself of the transitional arrangements under Article XIV and maintains exchange restrictions in the form of outstanding debit balances on inoperative bilateral payment agreements, which were in place before Albania became an IMF member. These relate primarily to debt in nonconvertible and formerly nonconvertible currencies. Albania has not imposed new restrictions under Article VIII. (Country Report No. 11/313)
Angola	The IMF staff report for the Fifth Review under the Stand-By Arrangement with Angola states that, as of October 28, 2011, Angola continues to avail itself of the transitional arrangements under the provisions of Article XIV, Section 2, and maintains two exchange measures, namely, (1) limits on the availability of foreign exchange for invisible transactions, such as travel, medical or educational allowances and (2) limits on unrequited transfers to foreign-based individuals and institutions. In addition, Angola maintains two exchange restrictions resulting from: (1) limits on the remittances of dividends and profits from foreign investments that do not exceed US$100,000, and (2) the discriminatory application of the 0.015 percent stamp tax on foreign exchange operations that are subject to approval under Article VIII, Section 2(a). Angola maintains two multiple currency practices: (1) arising from the Dutch foreign exchange auction, and (2) the discriminatory application of the 0.015 stamp tax on foreign exchange operations that are subject to approval under Article VIII, Section 3 . (Country Report No. 11/346)
Aruba	The IMF staff report for the 2010 Article IV consultation discussions with the Kingdom of the Netherlands—Aruba states that, as of October 7, 2010, Aruba maintains a foreign exchange restriction arising from the foreign exchange tax on payments by residents to nonresidents. This tax, which amounts to 1.3% of the transaction value, was introduced when Aruba was part of the Netherlands Antilles to generate revenue for the government. (Country Report No. 10/334)
Bangladesh	The IMF staff report for the 2011 Article IV consultation with Bangladesh states that, as of October 17, 2011, Bangladesh maintained an exchange restriction on the convertibility and transferability of proceeds of current international transactions in nonresident taka accounts. (Country Report No. 11/314)
Belarus	The IMF staff report on the First Post-Program Monitoring Discussion with Belarus states that, as of July 28, 2011, Belarus maintains a multiple currency practice. The National Bank of the Republic of Belarus ceased foreign exchange interventions on March 22, and a multiple currency practice emerged (manifested by the significant spread between the official exchange rate and the black market rate). (Country Report No. 11/277)
Bhutan	The IMF staff report for the 2011 Article IV consultation with Bhutan states that, as of May 13, 2011, Bhutan continues to avail of transitional arrangements under provisions of Article XIV, Section 2, and maintains restrictions under it. Bhutan also maintains exchange restrictions subject to IMF approval under Article VIII, Section 2(a). (Country Report No. 11/123)
Bosnia and Herzegovina	The IMF staff report for the 2010 Article IV Consultation, Second and Third Reviews under the Stand-By Arrangement with Bosnia and Herzegovina, states that, as of September 22, 2010, Bosnia and Herzegovina has not accepted the obligations under Article VIII Sections 2, 3, and 4 and therefore avails itself of the transitional arrangements under Article XIV. Bosnia and Herzegovina no longer maintains restrictions under the transitional provisions of Article XIV. It maintains restrictions on the transferability of balances and interest accrued on frozen foreign-currency deposits, subject to IMF jurisdiction under Article VIII. (Country Report No. 10/348)

Table 9. Exchange Restrictions and/or Multiple Currency Practices by Country (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Burundi	The IMF staff report for the Seventh Review under the Three-Year Arrangement under the Extended Credit Facility states that, as of December 30, 2011, Burundi has one multiple currency practice that is inconsistent with Article VIII, Section 2(a): the exchange rate used for government transactions may differ by more than 2% from market exchange rates. Burundi modified the 2010 foreign exchange regulation on March 3, 2011. Consequently, the two foreign exchange restrictions mentioned in Country Report No. 11/104 relating to (1) a tax clearance requirement for certain current international transactions such as payments of moderate amounts for amortization of loans or for depreciation of direct investments by nonresidents and (2) the limitations on the availability of foreign exchange for the making of payments and transfers for current international transactions based on noncompliance with obligations that are unrelated to such transactions are no longer in place. (Country Report No. 12/28)
Colombia	The IMF staff report for the 2011 Article IV consultation with Colombia states that, as of July 7, 2011, Colombia maintained two exchange measures subject to IMF approval under Article VIII: (1) a multiple currency practice and an exchange restriction arising from a tax on outward remittances of nonresident profits earned before 2007 and that have been retained in the country for less than five years; and (2) an exchange restriction arising from the special regime for the hydrocarbon sector, in which branches of foreign corporations are required to either surrender their export proceeds to the authorities or agree to a government limitation on their access to the foreign exchange market . (Country Report No. 11/224)
Democratic Republic of the Congo	The IMF staff report for the Third Review under the Three-Year Arrangement under the Extended Credit Facility with the Democratic Republic of the Congo (DRC) states that, as of April 15, 2011, the DRC maintains measures that give rise to one restriction and one multiple currency practice subject to IMF approval. The exchange restriction involves an outstanding net debt position against other contracting members under the inoperative regional payments agreement with the Economic Community of the Great Lakes Countries. The multiple currency practice relates to a fixed exchange rate set quarterly applying to transactions through the bilateral payments agreement with Zimbabwe. (Country Report No. 11/190)
Fiji	The IMF staff report for the 2010 Article IV Consultations states that, as of January 19, 2011, the Republic of Fiji maintained restrictions subject to Article VIII arising from the Fiji Islands Revenue and Customs Authority tax certification requirements before foreign companies can remit profits abroad and from limits on large payments (e.g., oil imports and dividends repatriation of foreign banks). (Country Report No. 11/85)
Gabon	The IMF staff report on the 2010 Article IV Consultations states that, as of February 3, 2011, owing to the imposition of a tax on all wire transfers, including for making payments and transfers for current international transactions, Gabon maintains an exchange restriction subject to IMF approval under Article VIII, Section 2(a), of the Articles of Agreement. (Country Report No. 11/97)
Georgia	The IMF staff report on the Ninth Review under the Stand-By Arrangement states that, as of May 25, 2011, Georgia maintains a multiple currency practice. The government uses the official exchange rate for budget and tax accounting purposes as well as for all payments between the government and enterprises and other legal entities. The official rate may differ by more than two percent from freely determined market rates, which gives rise to a multiple currency practice. In practice, the official and market rates have never differed by more than 2% since the introduction of foreign exchange auctions in March 2009. (Country Report No. 11/146)
Guinea	The IMF staff report on a Staff Monitored Program with Guinea states that, as of July 1, 2011, Guinea maintains a multiple currency practice as the value of the official rate lags the weighted average commercial bank rate on which it is based by one day. (Country Report No. 11/251)
Iceland	The IMF staff report for the Sixth Review under the Stand-by Arrangement with Iceland states that, as of August 16, 2011, Iceland maintains an exchange restriction arising from limitations imposed on the conversion and transfer of interest on bonds (whose transfer the foreign exchange rules apportion depending on the period of the holding). (Country Report No. 11/263)
India	The IMF staff report for the 2010 Article IV consultation with India states that, as of December 7, 2010, India maintains the following restrictions on the making of payments and transfers for current international transactions, which are subject to IMF approval under Article VIII, Section 2(a): restrictions related to the nontransferability of balances under the India-Russia debt agreement; restrictions arising from unsettled balances under inoperative bilateral payments arrangements with two Eastern European countries; and a restriction on the transfer of amortization payments on loans by non-resident relatives. (Country Report No. 11/50)

Table 9. Exchange Restrictions and/or Multiple Currency Practices by Country (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Iran	The IMF staff report for the 2011 Article IV consultation with the Islamic Republic of Iran states that, as of July 6, 2011, Iran maintains one exchange restriction and a multiple currency practice subject to IMF jurisdiction under Article VIII, Sections 2(a) and 3.The exchange restriction arises from limitations on the transferability of rial profits from certain investments under the Foreign Investment Promotion and Protection Act and from limitations on other investment-related current international payments under this act. The multiple currency practice arises from the budget subsidies for foreign exchange purchases in connection with payments of certain letters of credit opened prior to March 21, 2002, under the previous multiple exchange rate system. (Country Report No. 11/241)
Iraq	The IMF staff report on the Second Review under the Stand-By Arrangement states that, as of March 7, 2011, Iraq maintained four measures (plus one exchange restriction maintained for national or international security) that have been identified to give rise to exchange restrictions subject to IMF approval: (1) the requirement to pay all obligations and debts to the government before proceeds of investments of investors, and salaries and other compensation of non-Iraqi employees may be transferred out of Iraq, (2) the requirement to submit a tax certificate and a letter of non-objection stating that the companies do not owe any taxes to the government before non-Iraqi companies may transfer proceeds of current international transactions out of the country, (3) the requirement that before non-Iraqis may transfer proceeds in excess of 15 million Iraqi dinars out of Iraq, the banks are required to give due consideration of legal obligations of these persons with respect to official entities, which must be settled before allowing any transfer, and (4) an Iraqi balance owed to Jordan under an inoperative bilateral payments agreement. (Country Report No. 11/75)
Kosovo	The IMF staff report for the 2011 Article IV Consultations with Kosovo states that as of June 22, 2011, the IMF staff is in the process of assessing whether Kosovo imposes exchange restrictions and/or multiple currency practice subject to IMF jurisdiction. (Country Report No. 11/210)
Kyrgyz Republic	The IMF staff report on the First Review under the Three-Year Arrangement under the Extended Credit Facility states that, as of November 18, 2011, the Kyrgyz Republic maintains a multiple currency practice, which predates the arrangement, arising from the use of the official exchange rate for government transactions. The official rate may differ by more than 2% from market rates because it is based on the average transaction weighted rate of the preceding day. In practice, the official and market rates have never differed by more than 2%. (Country Report No. 11/354)
Latvia	The IMF staff report for the Fourth Review under the Stand-by Arrangement with Latvia states that, as of May 11, 2011, Latvia maintained a partial deposit freeze on Parex Bank, which gives rise to an exchange restriction. (Country Report No. 11/126)
Maldives	The IMF staff report for the 2010 Article IV consultation with Maldives states that, as of January 24, 2011, Maldives continues to avail itself of the transitional provisions of Article XIV and has not yet accepted the obligations of Article VIII, Sections 2, 3, and 4. It maintains an exchange restriction subject to IMF approval under Article VIII, Sections 2(a) of the IMF's Articles of Agreement, arising from the Maldives Monetary Authority's policy of rationing its supply of foreign exchange to commercial banks. This rationing by a governmental agency has caused the channeling of foreign exchange transactions for current international transactions to the parallel market where transactions take place at an exchange rate that deviates by more than 2% from the official exchange rate. The more than 2% exchange rate spread gives rise to a multiple currency practice subject to IMF approval under Article VIII, Section 3 and also to an exchange restriction given the additional cost involved for obtaining foreign exchange. (Country Report No. 11/293)
Mongolia	The IMF staff report for the Second Post-Program Monitoring states that, as of October 26, 2011, Mongolia maintains two multiple currency practices subject to IMF jurisdiction. First, the modalities of the multi-price auction system give rise to an multiple currency practice since there is no mechanism in place that ensures that exchange rates of accepted bids at the multi-price auction do not deviate by more than 2%. In addition, Mongolia has an official exchange rate (reference rate) that is mandatorily used for government transactions (as opposed to the commercial market rate). Therefore, by way of official action, the authorities have created a market segmentation. While the recently approved Order no. 699 of the Central Bank of Mongolia sets forth that the reference rate is determined based on the weighted average of market rates used from 4 p.m. of the previous day to 4 p.m. of the current day, the IMF staff is of the view that this order does not eliminate the market segmentation and the multiplicity of effective rates arising from it. Accordingly, in the absence of a mechanism to ensure that the commercial rates and the reference rate do not deviate by more than 2%, the way the reference rate is used in government transaction gives rise to a multiple currency practice subject to IMF approval. (Country Report No. 12/52)

Table 9. Exchange Restrictions and/or Multiple Currency Practices by Country (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Montenegro	The IMF staff report for the 2011 Article IV consultation with the Republic of Montenegro states that, as of April 15, 2011, Montenegro maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except with respect to pre-1992 blocked foreign currency savings accounts and restrictions maintained for security purposes that have not been notified to the IMF. (Country Report No. 11/100)
Mozambique	No restrictions as reported in the latest IMF staff report as of December 31, 2011. The IMF staff report for the Third Review under the Policy Support Instrument with the Republic of Mozambique states the following as of November 21, 2011: On May 20, 2011, Mozambique accepted its obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement (EBD/11/34). A new foreign exchange law—Foreign Exchange Law‖ Law No. 11/2009—came into effect on March 11, 2009. A new foreign exchange regulation to implement the foreign exchange law—the Regulation for the Foreign Exchange Law (Decreto No. 83/2010)—was issued on December 31, 2010. The Regulation, in conjunction with the implementing norms subsequently issued by the Bank of Mozambique, fully removed the existing exchange restrictions subject to Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. The two existing multiple currency practices were also removed in March and April 2011, respectively, through the adoption of a new regulation on the interbank exchange market and by discontinuing the previous multiple price foreign exchange auction system, which in any case had not been used since 2009. (Country Report No. 11/350)
Myanmar	The IMF staff report for the 2010 Article IV consultation with Myanmar states that, as of March 2, 2011, Myanmar continues to avail itself of transitional arrangements under Article XIV, although it has eliminated all Article XIV restrictions. Myanmar maintains exchange restrictions and multiple currency practices subject to IMF approval under Article VIII arising from: (1) limits on the purchase of foreign exchange by residents for foreign travel and by nonresidents for the remittable portion of wages, as well as for payments and transfers relating to invisible and other current international transactions; and (2) the divergence between the official exchange rate used for transactions of the public sector and the parallel market-determined foreign exchange certificate rate.
Nepal	The IMF staff report for the 2011 Article IV consultation with Nepal states that as of September 27, 2011, Nepal removed an exchange restriction subject to Article VIII of the IMF's Articles arising from quantitative limits on the availability of foreign exchange for leisure travel abroad. The Industrial Enterprises Act places a 75% limit on the conversion and transfer to foreign currency of salaries of nonresidents from countries where convertible currency is in circulation. Since the limit applies to amounts that may be less than net salaries, it gives rise to an exchange restriction under Article VIII. The IMF staff is investigating whether this measure is also discriminatory. (Country Report No. 11/318) The restriction subject to Article VIII of the IMF's Articles arising from quantitative limits on the availability of foreign exchange for leisure travel abroad was removed effective July 26, 2011.
Nigeria	The IMF staff report for the 2010 Article IV consultation with Nigeria states that, as of January 28, 2011, multiple prices are a technical characteristic of the central bank's Dutch auction system and give rise to a multiple currency practice. A comprehensive assessment by the IMF staff is needed to identify the extent of remaining restrictions and multiple currency practices. (Country Report No. 11/57)
São Tomé and Príncipe	The IMF staff report for the First Review under the Three-Year Arrangement with São Tomé and Príncipe states that as of February 4, 2010, São Tomé and Príncipe maintained two measures subject to IMF approval under Article VIII: (1) a multiple currency practice arising from the existence of multiple exchange markets with multiple effective exchange rates for spot transactions with no mechanism to ensure that the spreads among rates for spot transactions in these markets do not diverge by more than 2% at any given time; and (2) an exchange restriction arising from Article 3(i) and Article 10(b) of the new investment code regarding limitations on the transferability of net income from investment resulting from the requirement that taxes and other obligations to the government have to be paid/fulfilled as a condition for transfer to the extent it includes the payment of taxes and the fulfillment of obligations unrelated to the net income to be transferred. (Country Rpt No. 10/100)
Serbia	The IMF staff report on the 2010 Article IV Consultation and Third Review under the Stand-By Arrangement and Financing Assurances states that, as of March 18, 2010, Serbia maintains a floating exchange rate system free of restrictions on current international payments and transfers, except with respect to blocked pre-1991 foreign currency savings accounts. (Country Report No. 10/93)

Table 9. Exchange Restrictions and/or Multiple Currency Practices by Country (concluded)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Serbia	The IMF staff report on the 2010 Article IV Consultation and Third Review under the Stand-By Arrangement and Financing Assurances states that, as of March 18, 2010, Serbia maintains a floating exchange rate system free of restrictions on current international payments and transfers, except with respect to blocked pre-1991 foreign currency savings accounts. (Country Report No. 10/93)
Sierra Leone	The IMF staff report for the 2011 Second and Third Review under the Three-Year Arrangement under Extended Credit Facility states that, as of November 21, 2011, Sierra Leone maintained one multiple currency practice subject to IMF jurisdiction arising from the applied multiple price Dutch auction system, as there is no formal mechanism in place to prevent spreads of effective rates between winning bids from exceeding 2%. (Country Report No. 11/361)
Sudan	The IMF staff report for the 2010 Article IV Consultation and First Review under the 2009–10 Staff-Monitored Program with Sudan states that as of June 8, 2010, Sudan maintains an exchange restriction and a multiple currency practice arising from the imposition of a 100% cash margin for letters of credit on most imports and an exchange restriction arising from a limitation on the amount of foreign exchange purchases for travel purposes. (Country Report No. 10/256)
Suriname	The IMF staff report for the 2011 Article IV consultation with Suriname states that, as of April 18, 2011, Suriname maintained multiple currency practices arising from the spread of more than 2% between the buying and the selling rates in the official market for government transactions and also from the possible spread of more than 2% between these official rates for government transactions and those in the commercial markets that can take place within the established band. On January 20, 2011, the authorities eliminated the existing multiple currency practice in the form of the special exchange rate for imports of infant formula. (Country Report No. 11/256)
Swaziland	The IMF staff report for the 2011 Article IV consultation with Swaziland states that, as of December 30, 2011, Swaziland maintained one exchange restriction subject to IMF approval under Article VIII. This arises from a 50% limit on the provision for advance payments for the import of certain capital goods. In November 2011, the central bank increased the limit from 33.33% to 50%. (Country Report No. 12/37).
Syria	The IMF staff report for the 2009 Article IV Consultation with the Syrian Arab Republic states that, as of February 12, 2010, Syria continued to maintain, under Article XIV, restrictions on payments and transfers for current international transactions, including administrative allocation of foreign exchange. Syria also maintained exchange measures that are subject to IMF approval under Article VIII: (1) prohibition against purchases by private parties of foreign exchange from the banking system for some current international transactions; (2) a multiple currency practice resulting from divergences of more than 2% between the official exchange rate and officially recognized market exchange rates; (3) a non-interest-bearing advance import deposit requirement of 75–100% for public sector imports; and (4) an exchange restriction arising from the net debt under inoperative bilateral payments arrangements with the Islamic Republic of Iran and Sri Lanka. (Country Report No. 10/86)
Tunisia	The IMF staff report for the 2010 Article IV consultation with Tunisia states that, as of August 5, 2010, Tunisia maintained a multiple currency practice resulting from honoring exchange rate guarantees extended prior to August 1988 to development banks, which will automatically expire after maturity of existing commitments (total loans covered by these guarantees amount to about US$20 million). (Country Report No. 10/282)
Ukraine	The IMF staff report for the Request for a Stand-By Arrangement and Cancellation of Current Arrangement with Ukraine states that as of July 26, 2010, a number of new exchange controls were introduced in October 2008, many of which were removed by May 2010. (Country Report No. 10/262)
Zambia	The IMF staff report for the Sixth Review under the Three-Year Arrangement with Zambia states that, as of June 7, 2011, Zambia maintained an exchange restriction shown by the accumulation of external payments arrears, which is subject to IMF approval under Article VIII. (Country Report No. 11/196)
Zimbabwe	The IMF staff report for the 2011 Article IV consultation with Zimbabwe states that, as of May 16, 2011, apart from one remaining exchange restriction subject to IMF jurisdiction arising from unsettled balances under an inoperative bilateral payments agreement with Malaysia, payments and transfers for current international transactions may now be effected without restriction. (Country Report No. 11/135)

Source: IMF staff reports.

[1] Includes 187 member countries and three territories: Aruba (Netherlands), Curaçao and Sint Maarten (Netherlands), and Hong Kong SAR (China).

[2] The measures described in this table are quoted from IMF staff reports issued as of December 31, 2011, and may have changed subsequently to the date when they were reported. The table does not include countries maintaining exchange restrictions or multiple currency practices whose IMF staff reports are unpublished unless the authorities have consented to publication.

Regulatory Framework for Foreign Exchange Transactions

This section surveys the measures reported by member countries with respect to the regulatory framework for foreign exchange transactions. This survey is divided into five major categories: trade-related measures, current invisible transactions, accounts transactions, capital controls, and provisions specific to commercial banks and institutional investors.

Trade-Related Measures

On balance, trade transactions were further liberalized between January 2011 and July 2012. Of the 138 trade-related measures reported by member countries, 74 were easing measures, 45 were tightening measures, and 19 were neutral. Further liberalization of imports and import payments is the most noteworthy development in this area. Exports are generally much less controlled than imports; nevertheless, there was significant liberalization during the reporting period, in particular with respect to repatriation and surrender of export proceeds.

Imports and import payments

IMF member countries reported 90 measures relating to imports and import payments (slightly more than last year), of which 50 were easing measures and 29 were tightening measures. Import tariffs were generally decreased, and importers were allowed greater flexibility in determining the timing of import payments.

There were relatively few reported measures that directly affect the flow of imports. In the easing direction, Denmark and Italy abolished the licensing requirement for potassium chloride from Belarus. Guatemala increased its quotas for certain duty-free products. The age limit on cars imported to Kosovo was raised from 8 years to 13 years and the age limit on car and motorcycle imports to Nigeria from 8 years to 15 years. In the tightening direction, Belarus imposed licensing requirements on imports of malt beer from Ukraine and imports of pedigree livestock. Malaysia extended until 2021 the sole right of an entity to import rice to Malaysia, which has been in effect since 1996. Morocco imposed a pre-arrival import declaration for plywood, veneered wood, and laminated wood from China.

Measures that reduce tariffs affect products, sources, or products from specific sources. Bolivia extended the period of application for zero tariffs on sugar and diesel oil. Bolivia also implemented a five-year deferral of tariffs on imports identified by the law on "community-based farm production revolution." Guatemala and Mexico reduced tariffs on a range of products. Maldives reduced tariffs for 112 items, while raising them for 41 others. Moldova reduced tariffs on sugar, which were adopted as a safeguard measure; the tariffs were subsequently allowed to expire. In contrast, in Pakistan, the tariff exemption expired on imports of plant equipment and machinery for the establishment of businesses in designated areas, and Micronesia increased tariffs on cigarettes.

Tariff measures pertaining to sources of imports were mainly in the easing direction. In keeping with preferential tariff arrangements, Bolivia eliminated tariffs on products from participating countries, including Argentina, Brazil, Chile, Cuba, Mexico, Paraguay, Uruguay, and Venezuela. Kosovo began to benefit from a preferential agreement with the EU that runs through the end of 2015. In New Zealand, two international agreements established a framework to ease conditions for imports from countries in the region. The ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) went into effect with respect to Cambodia, Lao P.D.R., and Indonesia to remove, or reduce for eventual removal, tariffs on goods originating from ASEAN member countries.[17] Similarly, the New Zealand–Hong Kong, China Closer Economic Partnership will result in the eventual reduction or removal of tariffs on goods originating from Hong Kong SAR. In contrast, Mercosur countries (Argentina, Brazil, Paraguay, Uruguay) were authorized to increase import duties for certain extra-zone imports up to World Trade Organization consolidated rates. With respect to tariff measures specifying products and sources, Kuwait imposed country-specific import prohibitions related mainly to food and live animals.

[17] Association of Southeast Asian Nations: Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

Virtually all measures pertaining to advance payments were easing measures. For example, the Philippines now allows authorized dealers to sell foreign exchange for advance payments without central bank approval. Serbia abolished the deadline of 180 days for customs clearance of prepaid imports; after one year, prepayments for imports not realized are classified as cross-border credits to be recorded with the central bank. Fiji increased the limit on import payments and permitted banks to approve the prepayment of term bills for goods already landed and cleared by customs. India permitted authorized banks to offset export receivables from and import payments due to the same entity abroad. South Africa and Swaziland raised the permitted percentage of prepayment for capital goods. In contrast, Belarus prohibited advance payments for imports using credits from Belarusian banks.

Two reported measures involved taxes. Ecuador raised its tax on financial transactions, including for import payments. Moldova raised excise taxes on liquefied petroleum gas.

There were other noteworthy miscellaneous measures. Bangladesh raised the ceiling on the overall interest cost of private sector imports on a usance basis. China implemented its foreign exchange import payment verification and clearing system reform on a nationwide basis and simplified the foreign exchange import payment approval process. In the Philippines, import financing of more than six months no longer needs to be reported to the central bank and letters of credit may remain valid beyond one year.

Exports and export proceeds

During 2011–12, easing measures for exports and export proceeds well outnumbered tightening measures. Of the 48 measures reported, 24 were easing measures, 16 were tightening measures, and 8 were neutral.

Some member countries restrict exports, mainly to ensure the adequacy of domestic supplies. Bolivia restored the exportation of rice, beef, and corn, but authorized exports of given quantities of sugar on two separate occasions. Moldova introduced a temporary ban on exports of domestic wheat, which was lifted after four months. To increase domestic processing, Belarus prohibited exports of raw hides.

Several member countries adjusted their policy on the repatriation of export proceeds. For example, on the easing side, Iceland extended the time limit for repatriation of proceeds from exports from two to three weeks. India twice renewed the applicability of the extension of the repatriation period from 6 months to 12 months. Nigeria extended the repatriation period from 90 days to 180 days for non-oil exports, and Serbia abolished the deadline of 180 days for the repatriation of proceeds for exports of goods and services. On the tightening side, Bhutan required export proceeds from India to be repatriated to the banking system within 91 days. Indonesia required export proceeds to be repatriated to domestic foreign exchange banks, but with no obligation to retain them in domestic banks and no restriction on their subsequent transfer abroad. Mauritania required proceeds from exports and goods and services and income from foreign investment to be repatriated within 90 days; half of such proceeds may be retained by an exporter in a domestic account or used to repay foreign currency loans. It also required authorized dealers to keep fish export receipts deposited in their accounts with the central bank. Sudan reduced the repatriation period from six months to three months for nongold exports.

Mainly to increase the foreign exchange supply in the domestic banking system, two members tightened their surrender policies for export proceeds. Argentina increased the export receipt surrender requirement for oil and natural gas exporters from 30 percent to 100 percent and for mining companies from zero to 100 percent. Barbados required foreign exchange dealers to surrender 5 percent of gross foreign exchange purchases.

Measures pertaining to export duties were mainly in the easing direction. For example, in Belarus, the export duty rates for crude oil and certain categories of petroleum to countries outside the customs union with Russia were aligned with rates in Russia, and Ecuador abolished the export tax on exports of private oil companies. Guinea reduced the export duty on gold and diamonds. Pakistan exempted exports from certain areas from export duties. In contrast, Vietnam imposed a 10 percent levy on gold exports.

With respect to export financing, two members reported easing measures. Colombia lifted the requirement that export financing with maturities of more than 12 months must be reported to the central bank. Malaysia raised the limit on foreign currency trade financing that may be obtained by residents from nonresidents.

Export procedures were also simplified and updated to enhance trade in goods. Kazakhstan no longer includes transaction passports as one of the documents required for customs clearance. (Previously, a transaction passport completed by the authorized bank servicing the transaction was used to monitor repatriation of export exchange proceeds exceeding a certain amount.) Kosovo restored reciprocity with Serbia and Bosnia and Herzegovina; the latter's acceptance of Kosovo customs seals facilitates transit of exports from Kosovo. Honduras and Nicaragua were integrated into the electronic data exchange system already in place between El Salvador and Guatemala.

Current Invisible Transactions

This category covers nontrade payments and transfers that are included in the current account of the balance of payments, such as income from investment (e.g., profits, dividends, and interest), payments for travel, education expenses, the cost of medical treatment abroad, subscription and membership fees, and transfers of nonresident workers' wages and salaries. In the period under review, measures pertaining to payments for invisible transactions and current transfers numbered 40, of which 30 were easing measures and 9 were tightening measures. Measures pertaining to proceeds from invisible transactions numbered 5, of which 3 were easing measures.

Payments

A number of IMF member countries eased controls on payments related to travel. For example, India eased controls for travel by relatives for medical treatment; Fiji for airline ticket sales; and Myanmar, Nepal, Slovak Republic, and South Africa for travel allowances. Other countries eased limitations on payments for medical expenses (Fiji, Morocco), educational expenses (Fiji), alimony and court-ordered payments (Fiji), and software license fees (India). Bangladesh permitted the use of credit cards for payments of membership fees in professional and scientific institutions and fees related to applications for admission to foreign institutions. Bulgaria raised the threshold at which payments require documentation. Morocco permitted repayment of credit card debts incurred by Moroccans previously residing abroad. As part of its foreign exchange system reform, Mozambique replaced prior approval with registration for current payments. The Philippines eliminated prior approval of payments for charters and leases of foreign-owned equipment, refunds of unused foreign grants or loans, payments for underwriting and broker fees, and settlements of deposit insurance claims. South Africa raised the limit on miscellaneous payments to nonresidents. Ukraine increased the amount of foreign exchange that residents may purchase daily, and Tonga raised the amount below which authorized dealers may approve payments for current transactions except travel.

With respect to tightening measures, Argentina stemmed capital outflows by imposing a verification program for foreign exchange sales to residents for certain tourism and travel transactions. Argentina now also requires prior approval for payments for professional and technical services and for use of patents and trademarks when transactions are between related entities or when the beneficiary is a resident of a jurisdiction considered a tax haven. Belarus prohibited advance import payments using funds borrowed from Belarusian banks. Brazil increased the financial transactions tax on credit card expenditures abroad, and Ecuador raised the tax levied on transfers abroad.

Proceeds

Bangladesh permitted authorized dealers to arrange for payment for small-value service exports up to a given limit per instance. Both Iceland and Nigeria extended the repatriation period for proceeds from certain invisibles.

In contrast, Bangladesh subjected proceeds from business process outsourcing to a retention quota of 50 percent of the repatriated foreign exchange. To increase international reserves, Barbados required authorized foreign exchange dealers to surrender 5 percent of gross foreign exchange purchases to the central bank.

Account Transactions

The changes reported by IMF members in regulations for resident and nonresident accounts were largely in the direction of liberalization, continuing a trend also observed the previous year. The overwhelming majority of the measures introduced since January 2011 were easing measures—22 of 25 measures pertaining to resident accounts, and 11 of 16 measures pertaining to nonresident accounts. In a related area, regulations on residents' opening and maintaining foreign exchange accounts were also eased. Some members relaxed controls on residents' domestic and foreign currency accounts abroad in the process of liberalizing their financial accounts.

Resident accounts

Most of the easing measures relating to resident accounts referred to resident accounts in the home country. For example, Bhutan permitted resident earners of foreign exchange and nonresident Bhutan citizens to have foreign exchange accounts in Bhutan. Guinea cancelled a 1.25 percent commission on cash withdrawals. To increase the depth of their foreign exchange markets, Honduras permitted financial institutions to accept Canadian dollar deposits and India authorized financial institutions to accept any freely convertible currency. India and Malaysia permitted joint accounts of nonresident and resident individuals who are close relatives. Latvia permitted the partial deposit freeze on Parex Bank to expire. Sri Lanka allowed expatriate employees to deposit their salaries in foreign exchange accounts. As part of the ongoing efforts to unify the exchange rates and the foreign exchange markets, Myanmar eliminated the balancing requirement specifying that import payments be made out of export earnings and permitted withdrawals in foreign exchange cash up to US$10,000.

Three countries liberalized the opening and maintenance of resident accounts abroad. As a further step toward internationalizing the renminbi, China extended nationwide a pilot program to allow export proceeds of domestic enterprises to be deposited abroad. India permitted residents with overseas direct investments to open foreign exchange accounts abroad. The former Yugoslav Republic of Macedonia allowed residents that acquired rights to foreign currency abroad (e.g., pensions) and nonresident Macedonian citizens to maintain foreign currency accounts abroad.

Regulations on resident accounts were tightened in only two cases. To contain demand for foreign exchange, Argentina required that withdrawals of foreign currency from ATMs abroad be debited against foreign currency accounts at home and Iran revoked the rule that enabled residents to purchase up to US$1,000 or its equivalent in euros to open a foreign exchange account.

Nonresident accounts

The liberalization of nonresident accounts related mainly to specific types of deposits or sources of funds. For example, India permitted the deposit of proceeds from the sale of foreign direct investment into domestic or foreign currency accounts. Sri Lanka authorized the deposit of resident payments for purchases of real estate in Sri Lanka from nonresidents. Tunisia permitted nonresident individuals of Libyan nationality to open convertible Tunisian dinar and foreign currency accounts. Ukraine allowed nonresident investors to credit foreign currency investment accounts with foreign currency cash and with the proceeds of complete or partial liquidation of investments in Ukraine. In another type of easing measure, Sudan allowed banks to determine cash withdrawal limits in accordance with respective bank policies, and Croatia revoked the decision governing the opening and management of nonresident bank accounts, leaving these matters to the discretion of banks.

With respect to tightening measures, Bhutan discontinued domestic currency accounts of nonresident foreigners working or residing in or outside Bhutan, mainly in border areas.

Capital Controls

The overall trend toward liberalization of capital transactions masks two major underlying developments: continued liberalization by many countries that are in the process of opening up their financial account, and adjustments in capital controls in response to changes in the global environment, especially in capital flows to emerging market economies. Net inflows to emerging market economies peaked in early 2011, mainly driven by portfolio and bank flows, as reflected in the fact that the largest group of new measures affected capital and money market instruments. The second largest group of measures consisted of adjustments to controls on credit operations. A weakened global economic outlook and heightened risk aversion slowed net inflows to emerging market economies during the second half of 2011, and some emerging market economies also experienced net outflows that likely triggered an intensified effort to ease inflow controls to address concerns about the reduced access to foreign funds. Net inflows to emerging market economies recovered in the first half of 2012.

Between January 2011 and July 2012, IMF member countries reported 164 measures relating to capital controls, compared with 147 measures during the analogous period the previous year. Of these 164 measures, 102 (nearly two-thirds) were easing measures, about the same proportion as the previous year. Of the remaining measures, 49 were tightening measures and 13 were neutral. Although tightening measures almost equally affected capital inflows and outflows, measures that affected controls on capital inflows were mostly eased, partly because there was a rollback of previously introduced limitations on capital inflows and partly because of the continuing trend toward liberalization of capital flows. The easing of inflow controls was most pronounced during the second half of 2011, with some further easing in the first half of 2012, most likely in response to the decrease and partial reversal of capital inflows to emerging market economies. Neutral measures typically encompassed changes in institutional frameworks and in procedures.

Repatriation and surrender requirements

Only a few member countries adjusted repatriation and surrender requirements with respect to capital transactions. With respect to easing measures, Iceland increased the time limit for the repatriation of proceeds from capital transactions from two to three weeks. The Philippines lifted the repatriation and conversion requirements for proceeds from dividends, profits, and the divestment of direct investments or investments in securities abroad. In contrast, Barbados required authorized foreign exchange dealers to surrender 5 percent of their gross foreign exchange services to the central bank. Argentina reduced to 30 days the repatriation period for proceeds from the settlement of financial debts and issuance of securities abroad. Further, India required the proceeds from external commercial borrowing for rupee expenditures in India to be immediately credited to rupee accounts. Indonesia now requires that proceeds from offshore debt issuance be received through domestic banks, though without an obligation to keep the funds in such banks or to convert them to domestic currency.

Controls on capital and money market instruments

Controls on capital and money market transactions were generally in the easing direction, with the implementation of four times more easing measures than tightening measures. This contrasts with the previous year, when easing was less pronounced, probably because of members' concerns about surges in portfolio capital inflows during 2010. Measures affecting controls on inflows (37) significantly outnumbered measures on outflows (10).

Among the few changes on capital outflows, measures allowing increased access by residents to foreign assets were dominant. Oman permitted licensed local banks to market foreign investment products without central bank approval. Serbia further liberalized residents' portfolio investments abroad by allowing investments in long-term debt securities by specific investors. Continuing the gradual liberalization of outward capital transactions, South Africa raised the limit on offshore investments by individuals. Sri Lanka also raised the limits on investment in shares issued by foreign companies and in sovereign bonds and allowed nonresident entities and individuals to sell units in licensed unit trusts.

The majority of the measures eased controls on inflows. To increase nonresidents' investments in Indian securities, India raised the limits on nonresidents' investments in government bonds, in rupee and foreign-currency-denominated bonds issued by infrastructure debt funds and mutual fund shares. Following steps to increase the rate and coverage of the tax on foreign exchange inflows, Brazil rolled back some of the measures during the latter part of the reporting period when capital flow pressures decreased. China permitted qualified foreign financial institutions to invest in domestic securities in renminbi as part of the renminbi's internationalization. Nigeria authorized nonresidents to purchase government securities with maturities of less than one year. Sri Lanka allowed foreign investors to purchase shares of local companies and removed the ceiling on interest rates on debentures.

Tightening measures were mainly directed toward improving the composition or reducing the volume of portfolio inflows. For example, to contain capital inflows in short-term central bank securities, Indonesia lengthened the minimum holding period for central bank certificates from one month to six months. Pakistan set a withholding tax on securities, with one rate for maturities between 6 and 12 months and a higher rate for maturities of less than 6 months and increased the latter. Paraguay prohibited the sale of domestic shares to entities operating in locales considered tax havens.

There were noteworthy developments in the institutional framework for securities. Cambodia established a stock market in 2011 and, in early 2012, secondary trading commenced. Moldova set criteria for determination of the price of minority shares when they are to be bought by majority shareholders.

Controls on derivatives and other instruments

Liberalization was less marked in derivative transactions, likely reflecting lessons from the financial crisis. Only a few countries reported changes, and there were almost the same number of tightening as easing measures. New regulatory frameworks for derivatives went into effect in India and Serbia to facilitate such operations. Subsequently, India removed the quantitative limit on swap transactions by authorized dealers but introduced new rules, including a requirement that forward contracts entered into under certain facilities be fully deliverable.

Elsewhere, tightening measures were imposed in part for financial stability reasons. For example, Israel adopted a 10 percent reserve requirement and strengthened reporting requirements on foreign currency swap and forward transactions. Lebanon prohibited derivative transactions with nonresident entities that do not meet certain rating requirements. Peru extended the application of a 30 percent income tax on short-term (i.e., less than 60 days) gains by nonresidents in derivative transactions with residents. In Sri Lanka, forward contracts between authorized dealers and clients were limited to a maximum period of 90 days.

Controls on credit operations

Controls on cross-border lending were mostly relaxed, in particular during the second half of the reporting period in response to diminishing capital inflows. Among the measures pertaining to credit operations, 17 involved easing, 12 involved tightening, and 1 measure is considered neutral.

Easing measures mainly affected external borrowing, with only a few countries relaxing controls on lending to nonresidents. For example, in Colombia, the reporting requirements were dropped for export financing, export advances, and import financing with maturities under the limits set by the central bank. Also, Colombia now permits any nonresident to make loans to residents; previously, only financial institutions could do so. India raised the all-in-cost ceiling for longer-term external borrowing and eased commercial borrowing by the infrastructure sector, importers of capital goods, and nongovernmental organizations engaged in microfinance. Malaysia permitted borrowing in ringgit from nonresident, nonbank, related institutions. South Africa allowed the raising and deployment of capital abroad without exchange control approval for qualifying internationally headquartered companies. Sri Lanka permitted students abroad to borrow from foreign banks and to repay such borrowing through an authorized dealer in Sri Lanka. Tajikistan replaced the approval requirement with an ex ante registration or ex post notification framework for credits to and from nonresidents.

With respect to tightening measures, Brazil progressively increased the maximum maturity covered by the 6 percent financial transactions tax up to 1,800 days mainly to discourage short-term capital inflows, and partially reversed course as pressures abated. At the same time, the tax was reduced to zero for certain types of borrowing abroad. Iceland prohibited the purchase of foreign currency for repayment of loan principal and the value of indexation on bond principal to prevent the circumvention of its capital controls. Iceland also rescinded the exemption granted to bank resolution committees and bank winding-up committees to purchase foreign exchange to reduce potential pressure in the foreign exchange market. India tightened the conditions for refinancing external commercial borrowing and foreign currency convertible bonds. In Vietnam, external loan contracts became subject to approval by the line ministry and by the ministry of finance.

The one reported neutral measure was implemented in Lithuania, where the authority to approve certain investments by insurance companies abroad was transferred from a supervisory agency to the central bank.

Controls on direct investment

The liberalization trend is most pronounced in foreign direct investment. As in previous years, virtually all the reported measures relating to outward and inward direct investment were of an easing nature. Members generally relaxed the conditions for outgoing direct investment. For example, Fiji lifted the suspension of individual and corporate investment. Malaysian companies that met prudential requirements were allowed to make direct investments without limit. South Africa permitted companies to make investments unrelated to current businesses and lifted restrictions on additional working capital for existing businesses. Sri Lanka permitted the acquisition of shares in foreign companies up to certain limits and eased payments for setting up and maintaining existing places or business.

With respect to inward direct investments, screening procedures and sectoral restrictions were mostly relaxed. Australia, Mexico, and New Zealand raised the threshold above which investments are subject to review. China permitted the use of renminbi acquired abroad for direct investment. India permitted the transfer without central bank approval of shares from nonresidents to residents and 100 percent ownership in greenfield (i.e., new) investments in pharmaceuticals. Russia permitted foreign investment by international organizations in strategic sectors (i.e., nuclear energy, aerospace technology, and armaments). Fiji delegated approval of investments on securities traded in the South Pacific Exchange to authorized dealers. In contrast, New Zealand added two further considerations in assessing whether foreign acquisition of land was of benefit to New Zealand.

Rules on the transfer of proceeds from direct investment in Argentina were tightened; investors were required to provide proof that the funds involved in the investment were brought in through the Argentine foreign exchange market. In contrast, Ukraine rolled back the controls that were implemented at the beginning of the crisis by abolishing the requirement of a five-day deposit in domestic banks of proceeds of direct investment prior to transmission abroad.

Controls on real estate transactions

The direction of changes in controls on real estate transactions was mixed. To comply with their obligations in the EU, the Czech Republic liberalized the acquisition of agricultural land and Estonia abolished restrictions on ownership of agricultural land and forest land up to 10 hectares for all residents of member countries of the European Economic Area and Organization for Economic Cooperation and Development. In contrast, Latvia and Lithuania postponed liberalizing the acquisition of agricultural land and forest land by three years until 2014. On purchases by residents abroad, as part of its overall outflow liberalization strategy, South Africa raised the threshold below which such purchases would not require tax certification. In a bid to contain a real estate price bubble, Singapore imposed additional stamp duties on purchases by foreigners and corporate entities of residential properties in Singapore and on purchases by residents of properties abroad.

Controls on personal transactions

Of the reported 16 changes in controls on personal transactions, 12 were in the easing direction. Regulations on inward and outward lending and gifts were relaxed. For example, India permitted residents to make loans in rupees to nonresident close relatives in the form of crossed checks or electronic transfers and to make repayments through deposits into rupee accounts. Morocco permitted residents to make loans to foreign personnel employed by diplomatic missions and international organizations. India raised the value of gifts that could be given in the form of securities, and Nepal raised the maximum allowable gift.

With respect to access to foreign exchange, Ukraine nearly doubled the amount of foreign exchange that can be purchased daily by an individual. The only tightening measure reported in the category of personal transactions was Ukraine's elimination of the exemption of foreign exchange purchases below a certain threshold from the requirements of identification and proof of residency.

Provisions Specific to Commercial Banks and Institutional Investors

This section reviews developments in provisions specific to commercial banks and institutional investors, with a focus on prudential measures that are in the nature of capital controls.[18] The category Provisions Specific to the Financial Sector covers monetary and prudential measures in addition to foreign exchange controls.[19] It includes, among other categories of financial institutions' transactions, borrowing abroad, lending to nonresidents, purchase of locally issued securities denominated in foreign exchange, and regulations pertaining to banks' and institutional investors' investments. These provisions may be similar or identical to the measures described in the respective categories of controls on capital and money market instruments, credit operations, and direct investments, if the same regulations apply to commercial banks or institutional investors as to other residents. In such cases, the measure also appears in the relevant category in the section Capital Transactions.

Some of the measures included in this section may be considered capital flow management measures (CFMs) as defined by a recent IMF policy paper.[20] CFMs are designed to influence capital flows and encompass a broad spectrum of measures. They include capital controls, defined as measures that discriminate in the conduct of capital transactions based on the residency of the person conducting the transaction or of the asset and other measures.[21] The latter include measures that are often considered prudential for example, measures that treat transactions differently based on their currency denomination. However, only a portion of the measures in this section can be considered CFMs either because they are capital controls or, in the case of some prudential-type measures, because they were designed to influence capital flows.

The changes made by various countries in their financial sector regulations during 2011 and early 2012 can be seen as part of broader efforts to strengthen the financial regulatory framework, including by drawing on lessons learned from the financial crisis and concerns about capital flow volatility. Following the trend observed in the previous reporting period, most of the measures introduced in 2011 and in early 2012 (close to 60 percent) tightened regulation of the financial sector. Slightly more than two-thirds of the reported changes are considered prudential measures (158). The number of capital controls (48) is significantly lower than the corresponding number during the previous reporting period (86), with the majority serving to tighten existing norms except with respect to institutional investors, for which easing measures slightly exceed tightening measures. The reported changes mainly affect banks and other financial institutions, with only one-quarter of the measures introducing changes with respect to the regulatory framework for institutional investors. The number of measures considered neutral increased from the previous reporting period, reflecting among other things intensified work to consolidate and update existing regulations and changes in the institutional framework. The principal changes in this category are presented in Table 10.

The tightening of the regulatory framework concerning banks and other credit institutions that started in the second half of 2009 continued in 2011 and early 2012. Almost two-thirds of the reported measures that are not considered capital controls strengthened existing regulations. In contrast to previous years, most capital controls also tightened existing rules.

[18] Capital controls and prudential measures are highly intertwined because of their overlapping application. For example, some prudential measures (e.g., different reserve requirements for deposit accounts held by residents and nonresidents) also can be regarded as capital controls because they distinguish between transactions with residents and nonresidents and hence influence capital flows.

[19] Inclusion of an entry in this category does not necessarily indicate that the aim of the measure is to control the flow of capital.

[20] See IMF (2011 and 2012).

[21] The concept of capital controls in the AREAER is quite similar; it encompasses regulations that influence capital flows and includes various measures that regulate the conclusion or execution of transactions and transfers and the holding of assets in the country by nonresidents and abroad by residents.

Table 10. Provisions Specific to the Financial Sector

	Prudential Measures			Capital Controls			Total			
	Tight-ening	Easing	Neutral	Tight-ening	Easing	Neutral	Tight-ening	Easing	Neutral	Total
Provisions specific to commercial banks and other credit institutions	86	28	24	19	13	0	105	41	24	170
Provisions specific to institutional investors	9	0	11	6	9	1	15	9	12	36
Total	95	28	35	25	22	1	120	50	36	206

Source: AREAER database.
Note: Includes changes from January 2011 through July 2012.

- A noteworthy development is that several European countries (among them advanced economies) introduced regulations to strengthen the prudential framework of bank operations (Austria, Bulgaria, Italy, Kazakhstan, Romania, San Marino, Serbia). Some of these changes harmonized domestic financial regulations with the respective EU directives or aimed at reducing the risks of banking operations by adjusting regulatory limits, increasing liquidity buffers, or strengthening host-home supervisory cooperation (Austria, Italy, Romania, San Marino). Serbia harmonized its financial regulations with Basel II standards and adjusted loan classification and provisioning rules. The loan-to-value ratio on forint-denominated loans was raised in Hungary to tighten credit conditions. Minimum capital requirements were increased in the Philippines and, as part of a broader reform of the financial sector regulatory framework, in Moldova. The new financial regulations adopted in Kazakhstan aim at reducing risks in the operation of banks and financial organizations. In a bid to increase the share of account transactions and transfers in domestic and cross-border payments, limitations on cash payments exceeding a certain threshold were adopted in Bulgaria. Some of the measures adopted in the reporting period enhance anti-money-laundering regulations (Argentina, Austria, Moldova). In Suriname, the Bank Supervision Law was enacted, considerably strengthening the regulatory regime and supervisory powers of the Central Bank of Suriname.
- Among the easing measures, India advanced its financial sector reform agenda by significantly easing controls on interest rates of certain resident and nonresident deposits. A significant part of the prudential easing measures affected reserve requirements on local or foreign currency liabilities, as discussed below.
- In contrast to the previous year, the framework for commercial banks' foreign exchange risk management was overwhelmingly tightened, which likely reflected concerns about the risks related to increased variability in the foreign exchange markets. Foreign exchange exposure limits, which are often imposed in an asymmetric manner, have been lowered in Kenya, Mauritius, Nigeria, and Ukraine with a view to reducing banks' foreign exchange risk and their ability to take a position against the currency.[22] In Brazil, the limit above which banks are required to maintain 60 percent reserves of short positions has been lowered. To align its domestic regulations with international practice, Latvia and Ukraine allowed inclusion of off-balance-sheet items in the calculation of banks' open foreign exchange position.[23] To reduce banks' foreign exchange exposure through leveraged operations, Peru introduced limits on banks' foreign exchange derivative contracts as a percentage of capital, and Korea tightened a similar limit introduced in 2010. Hungary introduced a foreign exchange funding adequacy ratio to manage the maturity mismatch of banks' on-balance-sheet and off-balance-sheet foreign exchange positions. With the stabilization of financial markets, Paraguay reversed its tightening off the limit on banks' long foreign exchange position (introduced during the financial crisis). Armenia switched from regulating banks' long foreign exchange positions to regulating the more standard net position limits, allowing banks more flexibility to manage their exchange rate risks.

[22] Asymmetric open foreign exchange position limits are often considered capital controls since they have the effect of influencing capital flows.

[23] Ukraine's domestic regulations on banks' open foreign exchange positions are not yet fully in line with best international practice because they exclude loan loss provisions on foreign currency loans from calculating the net open positions.

- Concerned about the systemic risk posed by banks' unhedged foreign currency lending to residents, several countries adjusted their regulatory frameworks (Belarus, Hungary, Romania, Korea, Serbia, Ukraine, Vietnam). The measures range from prohibitions on foreign exchange consumer lending (Belarus, Ukraine), lower loan-to-value and debt-to-income ratios (Romania), and prohibitions on bank purchases of foreign-exchange-denominated bonds issued for won financing (Korea), and a minimum earning requirement and proof that debtors have sufficient income in foreign exchange (Hungary). As a transitional measure, mortgages in foreign exchange were not allowed to be registered in the land registry in Hungary for a few months until the new regulations on foreign exchange mortgage lending to households were issued.

Capital control measures pertaining to banks and other credit institutions include somewhat more tightening measures (19) than easing measures (13), indicating that nondiscriminatory prudential measures may not have been sufficient to deal with the financial stability concerns in some countries.

- The regulatory framework for external borrowing was strengthened by raising the tax on transactions (Brazil) or by requiring approval of loans or bond issuances abroad (Vietnam). When pressure in the foreign exchange market from capital inflows subsequently eased, Brazil reduced the tax rate on longer maturities in 2012. Taxes on financial transactions were extended in Bolivia until April 2012. Several countries tightened reserve requirements differentiated according to the residency of the deposit holder as well as asymmetric foreign exchange exposure limits (Costa Rica, Russia, Ukraine). Indonesia reinstated the limit on the daily balance of banks' short-term external debt at 30 percent. Latvia introduced a capital charge on banks whose credit exposure to nonresidents exceeds 5 percent of total assets and/or whose nonresident deposits exceed 20 percent of total assets. Banks' derivative transactions became subject to reserve and reporting requirements in Israel.
- The majority of the measures easing controls involve credit transactions with nonresidents and residency-based reserve requirements (Angola, Namibia, Peru, Ukraine). India increased the interest rate ceiling on nonresident foreign exchange deposits. Ukraine, as part of the process of rolling back temporary measures introduced during the financial crisis, removed the prohibition against repayment of foreign exchange loans that have not been converted into local currency. Regulations for derivative transactions were eased in Fiji, where authorized banks were permitted to write net forward sales contracts up to F$20 million, and in Malaysia, where resident banks were allowed to enter into ringgit-denominated derivatives.

Reserve requirements have been increasingly used to achieve financial stability objectives and respond to changes in capital inflows. More than one-third of the measures introduced in 2011 and early 2012 in the banking sector affect reserve requirements. Twenty countries reported adjusting their reserve requirements in line with monetary and financial stability objectives. Indicating concerns about monetary management against the backdrop of volatile capital flows, close to one-half the tightening measures introduced in the financial sector involved some sort of increased reserve requirements (47), the majority of which were introduced in the first half of 2011.

Depending on the policy objective, reserve requirement ratios are often differentiated according to maturity (e.g., Korea, Paraguay, Peru, Serbia, Turkey, Vietnam), the denomination of the liability, or residency of the depositor/lender, with the latter considered capital controls. Most countries that reported adjusting the reserve requirement during 2011–12 apply different reserve ratios to domestic and foreign currency liabilities, but only a few set different rates based on the residency of the depositor (e.g., Costa Rica, Peru, Russia).

- To create a macroprudential liquidity buffer in case of external shocks, several countries increased differentiated reserve requirements on local and foreign currency liabilities, imposing higher rates on foreign exchange liabilities (Bolivia, Georgia, Indonesia, Paraguay, Peru, Suriname, Uruguay).
- Against the backdrop of volatile capital inflows and inflation concerns, Turkey actively used the reserve requirement in response to changing external and domestic monetary conditions; following a tightening cycle at the beginning of 2011, reserve requirements on both local and foreign currency liabilities were gradually decreased in a differentiated manner, across maturities. Uruguay introduced a marginal reserve requirement on both local and foreign currency liabilities, which is remunerated, albeit marginal reserves in peso are remunerated at a lower rate than regular required reserves.

- Amid persistently high inflation expectations and with a view to preparing for an influx of capital, Russia set a higher reserve ratio on nonresidents' liabilities in February 2011 and further increased it in two steps before April 2011.
- In contrast, in response to changing liquidity conditions, Angola, India, Turkey, and Yemen decreased their reserve requirements. In Georgia, longer maturities in local and foreign currency became exempt from the reserve requirements (maturities over one year for local currency and over two years for foreign currency).
- To boost demand for local currency (and reduce dollarization), Armenia increasingly set reserve requirements on foreign currency deposits in local currency. Such a shift in the denomination of required reserves usually also has a one-time effect of increasing the supply of foreign exchange in the foreign exchange market. Turkey allowed maintaining an increasing share of the required reserves in foreign exchange to boost CBT reserves. Adjustments in the remuneration of the required reserves and their local currency or foreign currency component have also been used to influence financial institutions' decisions on the denomination of their assets and liabilities (Albania, Croatia, Seychelles).

A tightening of prudential measures and an easing of capital controls with respect to institutional investors also reflect the ongoing liberalization efforts of some member countries and the continued enhancement of the regulatory framework for institutional investors. Sixteen member countries reported 20 changes in prudential measures and somewhat fewer (16) changes in capital controls—almost the same numbers as in the previous reporting period.

- Nine easing measures were implemented during the reporting period, all of which relaxed capital controls. Most of the measures increased investment opportunities abroad for institutional investors (Bolivia, Chile, Namibia, Peru, Romania, Serbia). South Africa, continuing the gradual liberalization of its financial account, allowed resident institutional investors to purchase securities that are registered in the local stock exchange.
- Nine reported measures tightened the prudential framework for institutional investors' operations to enhance the stability of the financial system. Most of these implemented stricter conditions on institutional investors' investments abroad. Stricter prudential limits on institutional investors' foreign exchange and liquidity position were introduced in Armenia, Colombia, Estonia, and Malawi. Kazakhstan adopted new regulations to limit the risks in financial institutions' operations. Armenia and the former Yugoslav Republic of Macedonia introduced new prudential standards for insurance companies and pension funds, respectively. In light of further stabilization in the financial sector, Serbia continued reversing earlier prudential easing with respect to insurance companies.
- Tighter capital controls relate exclusively to institutional investors' investments, imposing stricter conditions or limits on the investment of pension funds and insurance companies abroad. These measures are considered capital controls because they discriminate against investment in foreign assets by forbidding, or setting lower limits on, institutional investors' investments abroad than on similar investments locally. Facing sustained capital outflows and significant depreciation pressure, Argentina barred local insurance companies from holding investments abroad and required primary insurers to repatriate their offshore funds and investment holdings by the end of 2011. Previously, local insurance companies were allowed to hold up to 50 percent of their investments and funds abroad. Armenia tightened the conditions for pension funds' and investment funds' investments abroad. The former Yugoslav Republic of Macedonia imposed new limits on insurance companies' foreign investments.

Several of the reported changes in provisions specific to the financial sector are recorded as neutral (36). These changes cannot be linked directly to an easing or tightening of rules, but reflect mainly institutional or procedural changes. New laws were adopted and existing regulations consolidated in Armenia, Bulgaria, and Colombia. In Lithuania, a shift of supervisory responsibilities to the Bank of Lithuania required some regulation changes. Extensive regulatory changes were implemented in Moldova and San Marino that affected various institutions in the financial sector. Adopting International Financial Reporting Standards accounting standards triggered some regulatory changes in Moldova and Romania. Finally, some EU member countries (Austria, Bulgaria) adopted EU directives on payment systems and electronic payments.

Special Topic

Effects of Capital Flow Liberalization: What Is the Evidence from Recent Experience in Emerging Market Economies?

This special topic is based on recent IMF research into the experience of emerging market economies that have liberalized capital flows over the past 15 years, in particular, the impact of liberalization on macroeconomic performance and financial stability.[24] The research indicates that greater openness to capital flows is associated with higher growth, increased gross capital flows, and higher equity returns and with lower inflation and reduced bank capital adequacy ratios. The effects vary depending on thresholds.

This study focuses on the short- to medium-term effects of liberalizing capital flows on macroeconomic performance and risks to financial stability. Specifically, it analyzes the effects of liberalizing capital flows on economic growth; inflation; capital inflows, outflows, and net flows; equity returns; and bank capital adequacy ratios. The sample of countries and the econometric strategy have been selected to capture the short- to medium-term effects. The sample is therefore limited to 37 countries that liberalized capital flows during 1995–2010.[25] Dynamic panel data specifications are used to capture the possibility of partial adjustment toward the steady state. The relatively short time dimension can be considered as the transition period between restricted and liberalized capital flows.

This study uses two new de jure measures of capital flow liberalization. The de jure measures are restrictiveness indices based on the AREAER, and are computed for 185 countries during 1995–2010. Higher values indicate more controls.

- The first de jure restrictiveness index of capital flows is similar to the Schindler index (Schindler, 2009).[26] The restrictiveness index is based on the AREAER and comprises 21 categories of restrictions, including restrictions on equity, bond, money market, and collective investment instruments; financial credit; and direct investment by direction. The index distinguishes between inflows (nonresidents' investments in the country) and outflows (residents' investments abroad). For each of the 21 categories a restrictiveness index was calculated for inflows, outflows, and overall flows (narrow index). The difference between the Schindler index and the narrow restrictiveness index is that the former includes a limited qualitative assessment of controls. For example, if a measure requires only notification of the transaction, the control covers only a few sectors of the economy, or the control is maintained for anti-money-laundering or security reasons, the Schindler index does not consider the transaction controlled. However, the differences between the two indices are minor, and for the period of the availability of the Schindler index, the correlation between the two indices is more than 0.92.
- As a robustness check, a second de jure index was also used, which is an average of binary indicators of restrictiveness in 62 categories of capital transactions. The categories include all capital transactions, foreign exchange and domestic currency accounts of residents and nonresidents, regulatory measures related to the financial sector, and repatriation and surrender requirements. This broad restrictiveness index can have a value between zero and 1, and higher values represent more restricted cross-border capital flows. Due to its more extensive coverage, this index can measure liberalization or reversal of liberalization better than narrower indicators. The correlation between the narrow index and the broader index is 0.92 for the 185

[24] Saadi-Sedik and Sun (forthcoming).

[25] There is a structural break in AREAER data in 1995. Until 1995, the AREAER summarized a country's openness to capital flows using a binary dummy variable, where 1 represented a restricted capital account and zero represented an unrestricted capital account. Since 1995, the AREAER has utilized a more structured approach, providing detailed information on restrictions on capital transactions in a number of subcategories.

[26] The Schindler index is available only for 91 countries from 1995 to 2005.

countries and 0.90 for the sample used in the empirical part of this paper. The two indices are also highly correlated with other available de jure indices.[27] The broader index was computed only for aggregate capital flow restrictiveness.

The de jure index is used to identify the sample of countries that have liberalized over the past 15 years. First, only those countries are retained that have liberalized by at least 0.1 point according to the index between 1995 and 2010. Second, for a given country, only those years are retained following the start of liberalization where the index declines by at least 0.01 point. Therefore, the sample encompasses only countries that have liberalized and only those years when controls on capital flows were relaxed. About 37 countries satisfy the above criteria (Table 11). For those countries, the mean of capital flow liberalization between 1995 and 2010 was 0.4; the maximum was 0.83; and the minimum was 0.1. This sample of countries is used in the empirical analysis. However, the actual sample for each regression varies with data availability.

Table 11. Countries That Liberalized Capital Flows during 1995–2010

Afghanistan	Chile	Israel	St. Kitts and Nevis
Algeria	Cyprus	Jordan	Samoa
Armenia	Dominica	Korea	São Tomé and Príncipe
Azerbaijan	Ghana	Malta	Senegal
Bosnia and Herzegovina	Guyana	Mauritania	Seychelles
Botswana	Haiti	Nigeria	Slovak Republic
Bulgaria	Honduras	Papua New Guinea	Slovenia
Burundi	Hungary	Romania	Swaziland
Cambodia	Iraq	Russia	Uganda
Cape Verde			

Source: IMF staff.

Methodology

The effects of capital flow liberalization were assessed using the following methodology.[28] Various panel data specifications were used to estimate the impact of liberalization on the following variables: capital outflows, inflows, and net flows; real GDP growth per capita; inflation; equity returns; and capital adequacy ratios. The most general specification is:

$$Y_{jit} = \alpha_j + \beta_{j1} Y_{jit-1} + \beta_{j2} ka_{jit} + \beta_{j3} Z_{jit} + \mu_{ji} + \nu_{jit}, \qquad (1)$$

where the subscript i denotes the country (i = 1, …,37), the subscript t denotes the year (t = 1995, …, 2010), and the subscript j denotes the specific equation for each indicator of interest Y_j represents the specific equation for growth, inflation, capital flows, etc.). The approach includes country fixed effects, μ, to take account of unobserved heterogeneity among countries.[29] The variable ka is the measure of capital flows liberalization, Z is a set of control variables, and v is the error term.

[27] The correlation with the Chinn and Ito (2008) index is 0.78 for the narrower index and 0.86 for the broader index for the period of availability of the Chinn-Ito index.

[28] The main data sources are the IMF's World Economic Outlook (WEO) database and International Financial Statistics (IFS) database; the World Bank's World Development Indicators database; Bloomberg L.P.; Haver Analytics; and Thomson Reuters Datastream.

[29] For example, the fixed effect takes account of all time-invariant country-specific factors, including geography, climate, ethno-linguistic characteristics, and unchanging political and legal systems.

The dynamic specifications capture the potential inertia in the dependent variables. The presence of the lagged dependent variable in the equations means that all the estimated coefficients represent short-term effects, which are the focus of this analysis. The long-term effects can be derived by dividing each coefficient by 1 minus the coefficient of the lagged dependent variable ($1 - \beta_1$).

Two econometric issues arise in estimating the above equation. First, some independent variables may be endogenous because of potential simultaneity or reverse causality. Second, with a fixed-effect estimator, the lagged dependent variable is, by construction, correlated with the error term and is therefore endogenous. As a robustness check, System Generalized Method of Moments (System GMM) estimators were also used with all right-hand variables treated as endogenous (Arellano and Bover, 1995; Blundell and Bond, 1998).

Following Kose and others (2009), the full sample is separated into two subsamples using thresholds. Countries meeting these threshold conditions are presumed to be better able to reap the growth and stability benefits of financial globalization. Kose and others (2009) identify four groups of threshold conditions: financial market development, institutional quality and governance, macroeconomic policies, and trade integration. In this analysis, a composite indicator is created by first normalizing, then averaging these four individual indicators: measures for financial development (ratio of market capitalization to GDP or private sector credit to GDP), quality of bureaucracy and corruption, ratio of fiscal balances to GDP, and ratio of trade openness ($X + M$) to GDP.[30] Then, the median of the index is taken as a threshold to separate countries into two groups: those with an index higher than the median are "above threshold" countries, and those with an index lower than the median are "below threshold" countries.

Results

The econometric analysis, based on the sample of countries that have liberalized over the past 15 years, suggests that more liberalization is associated with the following:

- Higher real GDP growth per capita: The coefficients of the liberalization index are significantly negative (a decline in the index means liberalization of capital flows).
- Lower inflation rates: The coefficients of the liberalization index are significantly positive, indicating that lower inflation rates are associated with the liberalization.[31]
- Higher equity returns: The coefficients of the equity liberalization index are significantly negative, reflecting the positive impact of liberalization on equity returns.
- Lower bank capital adequacy ratios: The coefficients of the liberalization index are significantly positive, indicating that liberalization may reduce bank capital adequacy ratios. This outcome may be due to a higher credit and asset expansion associated with the liberalization of capital flows. Furthermore, an increase in riskier assets following the liberalization of capital flows may put downward pressure on capital ratios.
- Higher capital inflows and outflows: The coefficients of liberalization are significantly negative, demonstrating the capability of liberalization to promote gross capital flows. However, the effect of liberalization on net flows is not statistically significant.

Thresholds

The main results of the relationship between the liberalization of capital flows and various dependent variables for the subsamples of countries "above threshold" and "below threshold" are as follows:

[30] To create a single indicator, each variable is first normalized as follows: Index = (actual value – minimum value) / (maximum value – minimum value). Then subindices are aggregated using the arithmetic mean.

[31] Similar results were obtained by Gruben and McLeod (2002) and Gupta (2008). Using an illustrative model, Gupta (2008) shows that opening the capital account significantly lowers policymakers' incentive to generate an inflationary shock. Theoretical and empirical evidence suggest a strong negative relationship between financial openness and inflation.

- For countries "above threshold," the main findings in the full sample are generally confirmed, with a few differences. For example, the coefficients of liberalization are larger than those in the full sample, indicating a larger role for capital flow liberalization in countries "above threshold." In other words, countries that are above the thresholds reap more benefits from liberalization.
- For countries "below threshold," the coefficients of liberalization are not significant in most regressions, including in the growth regression, indicating a limited role for liberalization of capital flows in these countries.

Robustness Checks

The results are robust to using alternative estimation approaches or different capital flow liberalization measures:

- Several other econometric specifications of panel data have been estimated, including System GMM. The results are broadly similar to those obtained with the fixed effects estimator.
- Using the broad restrictiveness index of capital flows leads to similar results.
- A further robustness test is implemented to investigate whether the effects of capital flow liberalization depend on the size of the country. Since the sample includes small countries and large countries, the effects of liberalizing capital flows may depend on the size of the country. To ensure that the conclusions are unaltered in larger countries, the same regression was estimated by using a pooled weighted least squares estimator, whereby each observation is weighted by the countries' GDP in U.S. dollars. This approach assigns more weight to larger economies without eliminating the small countries. Compared with pooled (unweighted) least squares, the results are broadly similar.[32] Therefore, this suggests that the results are also valid for larger countries.

In sum, liberalizing capital flows may encourage financial integration, promote growth, and lower inflation, although the liberalization may also be associated with potential risks to financial stability. Countries that meet some threshold conditions would be better able to reap the growth instability benefits of liberalization.

[32] These techniques are not yet well developed for dynamic panel estimations; therefore, the results can only be compared to pooled least squares estimations.

References

Arellano, Manuel, and Olympia Bover, 1995, "Another Look at the Instrumental-Variable Estimation of Error-Components Models," *Journal of Econometrics,* Vol. 68, No. 1, pp. 29–51.

Blundell, Richard, and Stephen R. Bond, 1998, "Initial Conditions and Moment Restrictions in Dynamic Panel Data Models," *Journal of Econometrics,* Vol. 87, No. 1, pp. 115–43.

Chinn, Menzie D., and Hiro Ito, 2008, "A New Measure of Financial Openness," *Journal of Comparative Policy Analysis,* Vol. 10, No. 3, pp. 309–22.

Gruben, William C., and Darryl McLeod, 2002, "Capital Account Liberalization and Inflation," *Economics Letters,* Elsevier, Vol. 77, No. 2, pp. 221–25.

Gupta, Abhijit Sen, 2008, "Does Capital Account Openness Lower Inflation?" *International Economic Journal,* Korean International Economic Association, Vol. 22, No. 4, pp. 471–87.

International Monetary Fund (IMF), 2011, "Recent Experiences in Managing Capital Inflows—Cross-Cutting Themes and Possible Policy Framework," IMF Policy Paper (Washington, February). www.imf.org/external/np/pp/eng/2011/021411a.pdf.

———, 2012, "Liberalizing Capital Flows and Managing Outflows," IMF Policy Paper (Washington, March). www.imf.org/external/np/pp/eng/2012/031312.pdf.

Kose M. Ayhan, Eswar Prasad, Kenneth Rogoff, and Shang-Jin Wei, 2009, "Financial Globalization: A Reappraisal," *IMF Staff Papers,* Vol. 56, No. 1, pp. 8–62.

Saadi-Sedik, Tahsin, and Tao Sun, forthcoming, "Effects of Capital Flow Liberalization—What Is the Evidence from Recent Experiences of Emerging Market Economies?" IMF Working Paper (Washington: International Monetary Fund).

Schindler, Martin, 2009, "Measuring Financial Integration: A New Data Set," *IMF Staff Papers,* Vol. 56, No. 1, pp. 222–38.

Compilation Guide

Status under IMF Articles of Agreement

Article VIII The member country has accepted the obligations of Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement.

Article XIV The member country continues to avail itself of the transitional arrangements of Article XIV, Section 2.

Exchange Measures

Restrictions and/or multiple currency practices Exchange restrictions and multiple currency practices (MCPs) maintained by a member country under Article VIII, Sections 2, 3, and 4, or under Article XIV, Section 2, of the IMF's Articles of Agreement, as specified in the latest IMF staff reports issued as of December 31, 2011. Information on exchange restrictions and MCPs or on the absence of exchange restrictions and MCPs for countries with unpublished IMF staff reports is published only with the consent of the authorities. If no consent has been received, the *Annual Report on Exchange Agreements and Exchange Restrictions* (AREAER) indicates "Information is not publicly available." Hence, "Information is not publicly available" does not necessarily imply that the country maintains exchange restrictions or MCPs. It indicates only that the country's relevant IMF staff report has not been published and that the authorities have not consented to publication of information on the existence of exchange restrictions and MCPs. Because the relevant IMF staff document may refer to years before the reporting period for this volume of the AREAER, more recent changes in the exchange system may not be included here. Changes in the category "Restrictions and/or multiple currency practices" are reflected in the edition of the AREAER that covers the calendar year during which the IMF staff report with information on such changes is issued. Changes in these measures that give rise to exchange restrictions or MCPs that affect other categories of the country tables are reported under the relevant categories in the AREAER, in accordance with the standard reporting periods.

Exchange measures imposed for security reasons Exchange measures on payments and transfers in connection with international transactions imposed by member countries for reasons of national or international security.

In accordance with IMF Executive Board Decision No. 144-(52/51) Security restrictions on current international payments and transfers on the basis of IMF Executive Board Decision No. 144-(52/51), which establishes the obligation of members to notify the IMF before imposing such restrictions, or, if circumstances preclude advance notification, as promptly as possible.

Other security restrictions Other restrictions imposed for security reasons (e.g., in accordance with UN or EU regulations) but not notified to the IMF under Board Decision 144-(52/51).

References to legal instruments and hyperlinks Specific references to the underlying legal materials and hyperlinks to the legal texts. The category is included at the end of each section.

Exchange Arrangement

Currency The official legal tender of the country.

Other legal tender — The existence of another currency that is officially allowed to be used in the country.

Exchange rate structure — If there is one exchange rate, the system is called unitary. If there is more than one exchange rate that may be used simultaneously for different purposes and/or by different entities, and if these exchange rates give rise to MCPs or differing rates for current and capital transactions, the system is called dual or multiple. Different effective exchange rates resulting from exchange taxes or subsidies, excessive exchange rate spreads between buying and selling rates, bilateral payments agreements, and broken cross rates are not included in this category. Changes in measures within this category are reported in accordance with the standard reporting periods. Reclassification in cases related to changes in MCPs occurs in the edition of the AREAER that covers the calendar year during which the IMF staff report including information on such changes is issued.

Classification — Describes and classifies the de jure and the de facto exchange rate arrangements.

De jure

The description and effective dates of the de jure exchange rate arrangements are provided by the authorities. Under Article IV, Section 2(a), of the IMF's Articles of Agreement and Paragraph 16 of the 2007 Surveillance Decision No. 13919-(07/51), each member is required to notify the IMF of the exchange arrangements it intends to apply and to notify the IMF promptly of any changes in its exchange arrangements. Country authorities are also requested to identify, whenever possible, which of the existing exchange rate arrangement categories listed below most closely corresponds to the de jure arrangement in effect. Country authorities may also wish to briefly describe their official exchange rate policy. The description includes officially announced or estimated parameters of the exchange arrangement (e.g., parity, bands, weights, rate of crawl, and other indicators used to manage the exchange rate). It also provides information on the computation of the exchange rate.

De facto

The IMF staff classifies the de facto exchange rate arrangements according to the categories below. The name and the definition of the categories describing the de facto exchange rate arrangements have been modified in accordance with the revised classification methodology, as of February 1, 2009. Wherever the description of the de jure arrangement can be empirically confirmed by the staff over at least the previous six months, the exchange rate arrangement is classified in the same way on a de facto basis. Because the de facto methodology for classification of exchange rate regimes is based on a backward-looking approach that relies on past exchange rate movement and historical data, some countries are reclassified retroactively to a date when the behavior of the exchange rate changed and matched the criteria for reclassification to the appropriate category. For these countries, if the retroactive date of reclassification precedes the period covered in this report, the effective date of change to be entered in the country chapter and the changes section is deemed to be the first day of the year in which the decision of reclassification took place.

No separate legal tender	Classification as an *exchange rate arrangement with no separate legal tender* involves confirmation of the country authorities' de jure exchange rate arrangement. The currency of another country circulates as the sole legal tender (formal dollarization). Adopting such an arrangement implies complete surrender by the monetary authorities of control over domestic monetary policy. Exchange arrangements of countries that belong to a monetary or currency union in which the same legal tender is shared by the members of the union are classified under the arrangement governing the joint currency. This classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The classification thus reflects only a definitional change and is not based on a judgment that there has been a substantive change in the exchange arrangement or other policies of the currency union or its members.
Currency board	Classification as a *currency board* involves confirmation of the country authorities' de jure exchange rate arrangement. A currency board arrangement is a monetary arrangement based on an explicit legislative commitment to exchange domestic currency for a specified foreign currency at a fixed exchange rate, combined with restrictions on the issuance authority to ensure the fulfillment of its legal obligation. This implies that domestic currency is usually fully backed by foreign assets, eliminating traditional central bank functions such as monetary control and lender of last resort and leaving little room for discretionary monetary policy. Some flexibility may still be afforded, depending on the strictness of the banking rules of the currency board arrangement.
Conventional peg	Classification as a *conventional peg* involves confirmation of the country authorities' de jure exchange rate arrangement. For this category the country formally (de jure) pegs its currency at a fixed rate to another currency or a basket of currencies, where the basket is formed, for example, from the currencies of major trading or financial partners and weights reflect the geographic distribution of trade, services, or capital flows. The anchor currency or basket weights are public or notified to the IMF. The country authorities stand ready to maintain the fixed parity through direct intervention (i.e., via sale or purchase of foreign exchange in the market) or indirect intervention (e.g., via exchange-rate-related use of interest rate policy, imposition of foreign exchange regulations, exercise of moral suasion that constrains foreign exchange activity, or intervention by other public institutions). There is no commitment to irrevocably keep the parity, but the formal arrangement must be confirmed empirically: the exchange rate may fluctuate within narrow margins of less than ±1% around a central rate or the maximum and minimum values of the spot market exchange rate must remain within a narrow margin of 2% for at least six months.
Stabilized arrangement	Classification as a *stabilized arrangement* entails a spot market exchange rate that remains within a margin of 2% for six months or more (with the exception of a specified number of outliers or step adjustments) and is not floating. The required margin of stability can be met either with respect to a single currency or a basket of currencies, where the anchor currency or the basket is ascertained or confirmed using statistical techniques. Classification as a stabilized arrangement requires that the statistical criteria are met and that the exchange rate remains stable as a result of official action (including structural market rigidities). The classification does not imply a policy commitment on the part of the country authorities.

Crawling peg	Classification as a *crawling peg* involves confirmation of the country authorities' de jure exchange rate arrangement. The currency is adjusted in small amounts at a fixed rate or in response to changes in selected quantitative indicators, such as past inflation differentials vis-à-vis major trading partners or differentials between the inflation target and expected inflation in major trading partners. The rate of crawl can be set to generate inflation-adjusted changes in the exchange rate (backward looking) or set at a predetermined fixed rate and/or below the projected inflation differentials (forward looking). The rules and parameters of the arrangement are public or notified to the IMF.
Crawl-like arrangement	For classification as a *crawl-like arrangement*, the exchange rate must remain within a narrow margin of 2% relative to a statistically identified trend for six months or more (with the exception of a specified number of outliers), and the exchange rate arrangement cannot be considered as floating. Usually, a minimum rate of change greater than allowed under a stabilized (peg-like) arrangement is required. However, an arrangement is considered crawl-like with an annualized rate of change of at least 1%, provided the exchange rate appreciates or depreciates in a sufficiently monotonic and continuous manner.
Pegged exchange rate within horizontal bands	Classification as a *pegged exchange rate within horizontal bands* involves confirmation of the country authorities' de jure exchange rate arrangement. The value of the currency is maintained within certain margins of fluctuation of at least ±1% around a fixed central rate, or a margin between the maximum and minimum value of the exchange rate that exceeds 2%. It includes arrangements of countries in the ERM of the old European Monetary System, which was replaced with the ERM II of the Economic and Monetary Union (EMU) on January 1, 1999, for countries with margins of fluctuation wider than ±1%. The central rate and width of the band are public or notified to the IMF.
Other managed arrangement	This category is a residual and is used when the exchange rate arrangement does not meet the criteria for any of the other categories. Arrangements characterized by frequent shifts in policy may fall into this category.
Floating	A floating exchange rate is largely market determined, without an ascertainable or predictable path for the rate. In particular, an exchange rate that satisfies the statistical criteria for a stabilized or a crawl-like arrangement is classified as such unless it is clear that the stability of the exchange rate is not the result of official actions. Foreign exchange market intervention may be either direct or indirect and serves to moderate the rate of change and prevent undue fluctuations in the exchange rate, but policies targeting a specific level of the exchange rate are incompatible with floating. Indicators for managing the rate are broadly judgmental (e.g., balance of payments position, international reserves, parallel market developments). Floating arrangements may exhibit more or less exchange rate volatility, depending on the size of the shocks affecting the economy.

Free floating	A floating exchange rate can be classified as *free floating* if intervention occurs only exceptionally and aims to address disorderly market conditions and if the authorities have provided information or data confirming that intervention has been limited to at most three instances in the previous six months, each lasting no more than three business days. If the information or data required are not available to the IMF staff, the arrangement is classified as floating. Detailed data on intervention or official foreign exchange transactions will not be requested routinely of member countries, but only when other information available to the IMF staff is not sufficient to resolve uncertainties about the appropriate classification.
Official exchange rate	Provides information on the computation of the exchange rate and the use of the official exchange rate (accounting, customs valuation purposes, foreign exchange transactions with the government).
Monetary policy framework	The category includes a brief description of the monetary policy framework in effect according to the following subcategories:
Exchange rate anchor	The monetary authority buys or sell foreign exchange to maintain the exchange rate at its predetermined level or within a range. The exchange rate thus serves as the nominal anchor or intermediate target of monetary policy. These frameworks are associated with exchange rate arrangements with no separate legal tender, currency board arrangements, pegs (or stabilized arrangements) with or without bands, crawling pegs (or crawl-like arrangements), and other managed arrangements.
Monetary aggregate target	The monetary authority uses its instruments to achieve a target growth rate for a monetary aggregate, such as reserve money, M1, or M2, and the targeted aggregate becomes the nominal anchor or intermediate target of monetary policy.
Inflation-targeting framework	This involves the public announcement of numerical targets for inflation, with an institutional commitment by the monetary authority to achieve these targets, typically over a medium-term horizon. Additional key features normally include increased communication with the public and the markets about the plans and objectives of monetary policymakers and increased accountability of the central bank for achieving its inflation objectives. Monetary policy decisions are often guided by the deviation of forecasts of future inflation from the announced inflation target, with the inflation forecast acting (implicitly or explicitly) as the intermediate target of monetary policy.
Other monetary framework	The country has no explicitly stated nominal anchor, but rather monitors various indicators in conducting monetary policy. This category is also used when no relevant information on the country is available.
Exchange tax	Foreign exchange transactions are subject to a special tax. Bank commissions charged on foreign exchange transactions are not included in this category; rather, they are listed under the exchange arrangement classification.
Exchange subsidy	Foreign exchange transactions are subsidized by using separate, nonmarket exchange rates.
Foreign exchange market	The existence of a foreign exchange market.
Spot exchange market	Institutional setting of the foreign exchange market for spot transactions and market participants. Existence and significance of the parallel market.

Operated by the central bank	The role of the central bank in providing access to foreign exchange to market participants through a foreign exchange standing facility, allocation of foreign exchange to authorized dealers or other legal and private persons, the management of buy or sell auctions or fixing sessions, and the price determination and frequency of central bank operations. A foreign exchange standing facility allows market participants to buy foreign exchange from or sell it to the central bank at predetermined exchange rates at their own initiative and is usually instrumental in maintaining a hard or soft peg arrangement. The credibility of the facility depends to a large extent on the availability of foreign exchange reserves to back the facility. Allocation involves redistribution of foreign exchange inflows by the central bank to market participants for specific international transactions or in specific amounts (rationing). Foreign exchange allocation is often used to provide foreign exchange for strategic imports such as oil or food when foreign exchange reserves are scarce. In an allocation system, companies and individuals often transact directly with the central bank, and commercial banks may buy foreign exchange only for their clients' underlying international transactions. Purchases of foreign exchange for banks' own books typically are not permitted. Auctions are organized by the central bank, usually for market participants to buy and/or sell foreign exchange. Auctions can take the form of multiple-price auctions (all successful bidders pay the price they offer) or single-price auctions (all successful bidders pay the same price, which is the market-clearing/cut-off price). The authorities may exercise discretion in accepting or rejecting offers, and sometimes a floor price is determined in advance, below which offers are not accepted. The frequency of auctions depends mainly on the amount or availability of foreign exchange to be auctioned and on the role the auction plays in the foreign exchange market. Fixing sessions are often organized by the central bank at the early stage of market development to establish a market-clearing exchange rate. The central bank monitors the market closely and often actively participates in price formation by selling or buying during the session to achieve a certain exchange rate target. The price determined at the fixing session is often used for foreign exchange transactions outside the session and/or for accounting and valuation purposes.
Interbank market	The organization and operation of the interbank market; interventions. The existence of brokerage, over-the-counter, and market-making arrangements.
Forward exchange market	The existence of a forward exchange market and the institutional arrangement and market participants.
Official cover of forward operations	An official entity (the central bank or the government) assumes the exchange risk of certain foreign exchange transactions.

Arrangements for Payments and Receipts

Prescription of currency requirements	The official requirements affecting the selection of currency and the method of settlement for transactions with other countries. When a country has payments agreements with other countries, the terms of these agreements often lead to a prescription of currency for specified categories of payments to, and receipts from, the countries concerned. This category includes information on the use of domestic currency in transactions between residents and nonresidents, both domestically and abroad; it also indicates any restrictions on the use of foreign currency among residents.
Payments arrangements	
Bilateral payments arrangements	Two countries have an agreement to prescribe specific rules for payments to each other, including cases in which private parties are also obligated to use specific currencies. These agreements can be either operative or inoperative.
Regional arrangements	More than two parties participate in a payments agreement.
Clearing agreements	The official bodies of two or more countries agree to offset with some regularity the balances that arise from payments to each other as a result of the exchange of goods, services, or—less often—capital.
Barter agreements and open accounts	The official bodies of two or more countries agree to offset exports of goods and services to one country with imports of goods and services from the same country, without payment.
Administration of control	The authorities' division of responsibility for monitoring policy, administering exchange controls, and determining the extent of delegation of powers to outside agencies (banks are often authorized to effect foreign exchange transactions).
Payments arrears	Official or private residents of a member country default on their payments or transfers in foreign exchange to nonresidents. This category includes only the situation in which domestic currency is available for residents to settle their debts, but they are unable to obtain foreign exchange—for example, because of the presence of an officially announced or unofficial queuing system. It does not cover nonpayment by private parties owing to bankruptcy of the party concerned.
Controls on trade in gold (coins and/or bullion)	Separate rules for trading in gold domestically and with foreign countries.
Controls on exports and imports of banknotes	Regulations governing the physical movement of means of payment between countries. Where information is available, the category distinguishes between separate limits for the (1) export and import of banknotes by travelers and (2) export and import of banknotes by banks and other authorized financial institutions.

Resident Accounts

Indicates whether resident accounts that are maintained in the national currency or in foreign currency, locally or abroad, are allowed and describes how they are treated and the facilities and limitations attached to such accounts. When there is more than one type of resident account, the nature and operation of the various types of accounts are also described—for example, whether residents are allowed to open foreign exchange accounts with or without approval from the exchange control authority, whether these accounts may be held domestically or abroad, and whether the balances on accounts held by residents in domestic currency may be converted into foreign currency.

Nonresident Accounts

Indicates whether local nonresident accounts maintained in the national currency or in foreign currency are allowed and describes how they are treated and the facilities and limitations attached to such accounts. When there is more than one type of nonresident account, the nature and operation of the various types of accounts are also described.

Blocked accounts — Accounts of nonresidents, usually in domestic currency. Regulations prohibit or limit the conversion and/or transfer of the balances of such accounts.

Imports and Import Payments

Describes the nature and extent of exchange and trade restrictions on imports.

Foreign exchange budget — Information on the existence of a foreign exchange plan, i.e., prior allocation of a certain amount of foreign exchange, usually on an annual basis, for the importation of specific types of goods and/or services. In some cases, also differentiating among individual importers.

Financing requirements for imports — Information on specific import-financing regulations limiting the rights of residents to enter into private contracts in which the financing options differ from those in the official regulations.

Documentation requirements for release of foreign exchange for imports

Domiciliation requirements — The obligation to domicile the transactions with a specified (usually domestic) financial institution.

Preshipment inspection — Most often a compulsory government measure aimed at establishing the veracity of the import contract in terms of volume, quality, and price.

Letters of credit — Parties are obligated to use letters of credit (LCs) as a form of payment for their imports.

Import licenses used as exchange licenses — Import licenses are used not for trade purposes but to restrict the availability of foreign exchange for legitimate trade.

Import licenses and other nontariff measures

Positive list — A list of goods that may be imported.

Negative list — A list of goods that may not be imported.

Open general licenses	Indicates arrangements whereby certain imports or other international transactions are exempt from the restrictive application of licensing requirements.
Licenses with quotas	Refers to situations in which a license for the importation of a certain good is granted but a specific limit is imposed on the amount to be imported.
Other nontariff measures	May include prohibitions on imports of certain goods from all countries or of all goods from a certain country. Several other nontariff measures are used by countries (e.g., phytosanitary examinations, setting of standards), but these are not covered fully in the report.
Import taxes and/or tariffs	A brief description of the import tax and tariff system, including taxes levied on the foreign exchange made available for imports.
Taxes collected through the exchange system	Indicates if any taxes apply to the exchange side of an import transaction.
State import monopoly	Private parties are not allowed to engage in the importation of certain products, or they are limited in their activity.

Exports and Export Proceeds

Describes restrictions on the use of export proceeds, as well as regulations on exports.

Repatriation requirements	The obligation of exporters to repatriate export proceeds.
Surrender requirements	
Surrender to the central bank	Regulations requiring the recipient of repatriated export proceeds to sell, sometimes at a specified exchange rate, any foreign exchange proceeds in return for local currency to the central bank.
Surrender to authorized dealers	Regulations requiring the recipient of repatriated export proceeds to sell, sometimes at a specified exchange rate, any foreign exchange proceeds in return for local currency to commercial banks or exchange dealers authorized for this purpose or on a foreign exchange market.
Financing requirements	Information on specific export-financing regulations limiting the rights of residents to enter into private contracts in which the financing options differ from those in the official regulations.
Documentation requirements	The same categories as in the case of imports are used.
Export licenses	Restrictions on the right of residents to export goods. These restrictions may take the form of quotas (where a certain quantity of shipment abroad is allowed) or the absence of quotas (where the licenses are issued at the discretion of the foreign trade control authority).
Export taxes	A brief description of the export tax system, including any taxes that are levied on foreign exchange earned by exporters.

Payments for Invisible Transactions and Current Transfers

Describes the procedures for effecting payments abroad in connection with current transactions in invisibles, with reference to prior approval requirements, the existence of quantitative and indicative limits, and/or bona fide tests. Detailed information on the most common categories of transactions is provided only when regulations differ for the various categories. Indicative limits establish maximum amounts up to which the purchase of foreign exchange is allowed on declaration of the nature of the transaction, mainly for statistical purposes. Amounts above those limits are granted if the bona fide nature of the transaction is established by the presentation of appropriate documentation. Bona fide tests also may be applied to transactions for which quantitative limits have not been established.

Trade-related payments	Includes freight and insurance (including possible regulations on non-trade-related insurance payments and transfers), unloading and storage costs, administrative expenses, commissions, and customs duties and fees.
Investment-related payments	Includes profits and dividends, interest payments (including interest on debentures, mortgages, etc.), amortization of loans or depreciation of foreign direct investments, and payments and transfers of rent.
Payments for travel	Includes international travel for business, tourism, etc.
Personal payments	Includes medical expenditures abroad, study expenses abroad, pensions (including regulations on payments and transfers of pensions by both government and private pension providers on behalf of nonresidents, as well as the transfer of pensions due to residents living abroad), and family maintenance and alimony (including regulations on payments and transfers abroad of family maintenance and alimony by residents).
Foreign workers' wages	Transfer abroad of earnings by nonresidents working in the country.
Credit card use abroad	Use of credit and debit cards to pay for invisible transactions.
Other payments	Includes subscription and membership fees, authors' royalties, consulting and legal fees, etc.

Proceeds from Invisible Transactions and Current Transfers

Describes regulations governing exchange receipts derived from transactions in invisibles—including descriptions of any limitations on their conversion into domestic currency—and the use of those receipts.

Repatriation requirements	The definitions of repatriation and surrender requirements are similar to those applied to export proceeds.
Surrender requirements	
Surrender to the central bank	
Surrender to authorized dealers	
Restrictions on use of funds	Refers mainly to the limitations imposed on the use of receipts previously deposited in certain types of bank accounts.

Capital Transactions

	Describes regulations influencing both inward and outward capital flows. The concept of controls on capital transactions is interpreted broadly. Thus, controls on capital transactions include prohibitions; need for prior approval, authorization, and notification; dual and multiple exchange rates; discriminatory taxes; and reserve requirements or interest penalties imposed by the authorities that regulate the conclusion or execution of transactions or transfers and the holding of assets at home by nonresidents and abroad by residents. The coverage of the regulations applies to receipts as well as to payments and to actions initiated by nonresidents and residents. In addition, because of the close association with capital transactions, information is also provided on local financial operations conducted in foreign currency, describing specific regulations in effect that limit residents' and nonresidents' issuance of securities denominated in foreign currency or, generally, limitations on contract agreements expressed in foreign exchange.
Repatriation requirements	The definitions of repatriation and surrender requirements are similar to those applied to export proceeds.
Surrender requirements	
Surrender to the central bank	
Surrender to authorized dealers	
Controls on capital and money market instruments	Refers to public offerings or private placements on primary markets or their listing on secondary markets.
On capital market securities	Refers to shares and other securities of a participating nature and bonds and other securities with an original maturity of more than one year.
Shares or other securities of a participating nature	Includes transactions involving shares and other securities of a participating nature if they are not effected for the purpose of acquiring a lasting economic interest in the management of the enterprise concerned. Investment for the purpose of acquiring a lasting economic interest is addressed under foreign direct investment.
Bonds or other debt securities	Refers to bonds and other securities with an original maturity of more than one year. The term "other debt securities" includes notes and debentures.
On money market instruments	Refers to securities with an original maturity of one year or less and includes short-term instruments, such as certificates of deposit and bills of exchange. The category also includes treasury bills and other short-term government paper, bankers' acceptances, commercial paper, interbank deposits, and repurchase agreements.
On collective investment securities	Includes share certificates and registry entries or other evidence of investor interest in an institution for collective investment, such as mutual funds, and unit and investment trusts.

Controls on derivatives and other instruments	Refers to operations in other negotiable instruments and nonsecured claims not covered under the above subsections. These may include operations in rights; warrants; financial options and futures; secondary market operations in other financial claims (including sovereign loans, mortgage loans, commercial credits, negotiable instruments originating as loans, receivables, and discounted bills of trade); forward operations (including those in foreign exchange); swaps of bonds and other debt securities; credits and loans; and other swaps (e.g., interest rate, debt/equity, equity/debt, foreign currency, and swaps of any of the instruments listed above). Also included are controls on operations in foreign exchange without any other underlying transaction (spot or forward trading on the foreign exchange markets, forward cover operations, etc.).
Controls on credit operations	
Commercial credits	Covers operations directly linked with international trade transactions or with the rendering of international services.
Financial credits	Includes credits other than commercial credits granted by all residents, including banks, to nonresidents, or vice versa.
Guarantees, sureties, and financial backup facilities	Includes guarantees, sureties, and financial backup facilities provided by residents to nonresidents and vice versa. It also includes securities pledged for payment or performance of a contract—such as warrants, performance bonds, and standby letters of credit—and financial backup facilities that are credit facilities used as a guarantee for independent financial operations.
Controls on direct investment	Refers to investments for the purpose of establishing lasting economic relations both abroad by residents and domestically by nonresidents. These investments are essentially for the purpose of producing goods and services, and, in particular, in order to allow investor participation in the management of an enterprise. The category includes the creation or extension of a wholly owned enterprise, subsidiary, or branch and the acquisition of full or partial ownership of a new or existing enterprise that results in effective influence over the operations of the enterprise.
Controls on liquidation of direct investment	Refers to the transfer of principal, including the initial capital and capital gains, of a foreign direct investment as defined above.
Controls on real estate transactions	Refers to the acquisition of real estate not associated with direct investment, including, for example, investments of a purely financial nature in real estate or the acquisition of real estate for personal use.
Controls on personal capital transactions	Covers transfers initiated on behalf of private persons and intended to benefit other private persons. It includes transactions involving property to which the promise of a return to the owner with payments of interest is attached (e.g., loans or settlements of debt in their country of origin by immigrants) and transfers effected free of charge to the beneficiary (e.g., gifts and endowments, loans, inheritances and legacies, and emigrants' assets).

Provisions Specific to the Financial Sector

Provisions specific to commercial banks and other credit institutions	Describes regulations that are specific to these institutions, such as monetary, prudential, and foreign exchange controls. Inclusion of an entry in this category does not necessarily signify that the aim of the measure is to control the flow of capital. Some of these items (e.g., borrowing abroad, lending to nonresidents, purchase of locally issued securities denominated in foreign exchange, investment regulations) may be repetitions of entries under respective categories of controls on capital and money market instruments, on credit operations, or on direct investments, when the same regulations apply to commercial banks as well as to other residents.
Open foreign exchange position limits	Describes regulations on certain commercial bank balance sheet items (including capital) and on limits covering commercial banks' positions in foreign currencies (including gold).
Provisions specific to institutional investors	Describes controls specific to institutions, such as insurance companies, pension funds, investment firms (including brokers, dealers, or advisory firms), and other securities firms (including collective investment funds). Incorporates measures that impose limitations on the composition of the institutional investors' foreign or foreign currency assets (reserves, accounts) and liabilities (e.g., investments in equity capital of institutional investors or borrowing from nonresidents) and/or that differentiate between residents and nonresidents. Examples of such controls are restrictions on investments because of rules regarding the technical, mathematical, security, or mandatory reserves; solvency margins; premium reserve stocks; or guarantee funds of nonbank financial institutions. Inclusion of an entry in this category does not necessarily signify that the aim of the measure is to control the flow of capital.
Insurance companies	
Pension funds	
Investment firms and collective investment funds	

Listing conventions used in the report are as follows:

- When it is unclear whether a particular category or measure exists—because pertinent information is not available at the time of publication—the category is displayed with the notation "n.a."
- If a measure is known to exist but specific information on it is not available, the category is displayed with the notation "yes."
- If no measures exist on any item within a category, the category is displayed with the notation "no."
- If members have provided the IMF staff with information indicating that a category or an item is not regulated, these are marked "n.r."
- When relevant documents have not been published and the authorities have not consented to the publication of the information as included in the IMF staff report, the text reads, "Information is not publicly available."

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; see symbol key at end of table)

	Total number of member countries with these features	Afghanistan	Albania	Algeria	Angola	Antigua and Barbuda	Argentina	Armenia	Australia	Austria	Azerbaijan	Bahrain	The Bahamas	Bangladesh	Barbados	Belarus	Belgium	Belize	Benin	Bhutan	Bolivia
Status under IMF Articles of Agreement																					
Article VIII	168			●		●	●	●	●	●	●	●	●	●	●	●	●	●	●		●
Article XIV	19	●	●		●															●	
Exchange Rate Arrangements																					
No separate legal tender	13																				
Currency board	11					◊															
Conventional peg	41											◊	◊		◊			◊	▲	✚	
Stabilized arrangement	16				◊						◊										
Crawling peg	3																				◊
Crawl-like arrangement	12						◊														
Pegged exchange rate within horizontal bands	1																				
Other managed arrangement	24			*										●		●					
Floating	35	●	●					●													
Free floating	31								●	⊕							⊕				
Exchange rate structure																					
Dual exchange rates	15						●						●								
Multiple exchange rates	7				●																
Arrangements for Payments and Receipts																					
Bilateral payments arrangements	67	●		●	●		●	●			●	●		●	●	●		●	●	●	
Payments arrears	32		●		●	●															
Controls on payments for invisible transactions and current transfers	95			●	●	●					●		●	●	●	●		●	●	●	●
Proceeds from exports and/or invisible transactions																					
Repatriation requirements	87		●	●	●	–	●				●		●	●	●	●		●	●	●	
Surrender requirements	57			●	●		●						●	●	●	●		●	●	●	
Capital Transactions																					
Controls on:																					
Capital market securities	147		●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Money market instruments	124	●	●	●	●		●		●	●			●	●	●	●	●	●	●	●	●
Collective investment securities	123		●	●	●		●	●	●	●	●		●	●	●	●	●	●	●	●	●
Derivatives and other instruments	98		●	●	■		●	●	●	●	●		●	●	●	●	●	●	●	●	
Commercial credits	83			●									●	●	●	●		●	●	●	●
Financial credits	112			●	●	●	●			●			●	●	●	●	●	●	●	●	●
Guarantees, sureties, and financial backup facilities	77			●	●		●						●	●	●	●		●	●	●	
Direct investment	150			●	●		●		●	●	●	●	●	●	●	●	●	●	●	●	
Liquidation of direct investment	46			●	●		●							●	●			●		●	
Real estate transactions	145	●	●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	
Personal capital transactions	94			●	●	–	●		●		●		●	●	●	●		●	●	●	
Provisions specific to:																					
Commercial banks and other credit institutions	168	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●
Institutional investors	141		●	●	■	–	●	●	●	●	●		●	●	●	●	●	●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; see symbol key at end of table)

	Bosnia and Herzegovina	Botswana	Brazil	Brunei Darussalam	Bulgaria	Burkina Faso	Burundi	Cambodia	Cameroon	Canada	Cape Verde	Central African Republic	Chad	Chile	China	Colombia	Comoros	Dem. Rep. of the Congo	Republic of Congo	Costa Rica	Côte d'Ivoire	Croatia
Status under IMF Articles of Agreement Article VIII		●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Article XIV	●						●															
Exchange Rate Arrangements																						
No separate legal tender																						
Currency board	▲			✚	▲																	
Conventional peg						▲			▲		▲	▲	▲				▲		▲		▲	
Stabilized arrangement								◊														
Crawling peg		*																				
Crawl-like arrangement															◊							▲
Pegged exchange rate within horizontal bands																						
Other managed arrangement							●											●		●		
Floating			●													●						
Free floating										●				●								
Exchange rate structure Dual exchange rates							●															
Multiple exchange rates																						
Arrangements for Payments and Receipts Bilateral payments arrangements		●	●		●	●	●	●			●							●				●
Payments arrears						–		●			●						●	●			●	
Controls on payments for invisible transactions and current transfers				●		●	●		●		●	●	●		●		●	●	●		●	
Proceeds from exports and/or invisible transactions Repatriation requirements	●					●	●	●	●		●	●	●		●	●	●	●	●		●	
Surrender requirements			●			●		●	●		●	●	●				●		●		●	
Capital Transactions Controls on: *Capital market securities*	●	●	●		●	●	●	–	●	●		●	●	●	●	●	●	●	●		●	●
Money market instruments		●	●			●	●	–	●		●	●	●	●	●	●	●	●	●		●	●
Collective investment securities		●	●			●	●	–	●			●	●	●	●	●	●	●	●		●	●
Derivatives and other instruments			●			●	●		■		■	■	■	●	●	●	●	●	■		●	●
Commercial credits		●				●	●		●		●	●	●		●		●	●	●		●	
Financial credits	●		●			●	●		●		●	●	●		●			●	●	●	●	
Guarantees, sureties, and financial backup facilities						●	●		■		●	■	■	●	●		●	●	■		●	
Direct investment	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	
Liquidation of direct investment							●		●			●	●		●	●	●	●	●			
Real estate transactions	●		●	●	●	●	●	●	●		●	●	●	●	●			●	●		●	●
Personal capital transactions	●			●		●	●		●		●	●	●		●		●	●	●		●	
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Institutional investors	●	●	●	●	●	●	●		●	●	–	●	●	●	●	●	–		●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first page of country chapter; see symbol key at end of table)

	Cyprus	Czech Republic	Denmark	Djibouti	Dominica	Dominican Republic	Ecuador	Egypt	El Salvador	Equatorial Guinea	Eritrea	Estonia	Ethiopia	Fiji	Finland	France	Gabon	The Gambia	Georgia	Germany	Ghana	Greece
Status under IMF Articles of Agreement																						
Article VIII	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●	●	●	●	●
Article XIV											●		●									
Exchange Rate Arrangements																						
No separate legal tender							◊		◊													
Currency board				◊	◊																	
Conventional peg			❖							▲	◊			✱			▲					
Stabilized arrangement								✱														
Crawling peg																						
Crawl-like arrangement						◊							◊									
Pegged exchange rate within horizontal bands																						
Other managed arrangement																						
Floating																		●	●		●	
Free floating	⊕	●										⊕			⊕	⊕				⊕		⊕
Exchange rate structure																						
Dual exchange rates											●								●			
Multiple exchange rates																						
Arrangements for Payments and Receipts																						
Bilateral payments arrangements						●	●	●				●									●	
Payments arrears				●	●		●				●	●										
Controls on payments for invisible transactions and current transfers							●			●	●		●	●		●	●		●		●	
Proceeds from exports and/or invisible transactions																						
Repatriation requirements					●					●	●		●	●			●		●		●	
Surrender requirements					●					●	●		●	●			●				●	
Capital Transactions																						
Controls on:																						
Capital market securities		●		●	●	●	●	●	●	●	●		●	●		●	●		●	●	●	●
Money market instruments		●				●	●	●	●	●	●		●	●		●	●			●	●	●
Collective investment securities		●		●	●		●	●	●	●	–		●	●		●	●			●	●	●
Derivatives and other instruments		●			–			●	●	■	–		●	●			■			●	●	●
Commercial credits				●	●		●			●	●		●	●			●					
Financial credits	●	●		●	●		●			●	●		●	●			●	●		●		●
Guarantees, sureties, and financial backup facilities				●	●	●	●			■	–		●	●			■					
Direct investment	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●			●	●	●
Liquidation of direct investment										●			●	●			●					
Real estate transactions	●	●	●		●					●		●	●	●	●		●			●	●	●
Personal capital transactions					●					●	●	●	●	●			●					
Provisions specific to:																						
Commercial banks and other credit institutions	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	
Institutional investors	●	●	●	●	●	●	●	●	●	●	–	●	●	●		●	●	●	●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first page of country chapter; see symbol key at end of table)

	Grenada	Guatemala	Guinea	Guinea-Bissau	Guyana	Haiti	Honduras	Hungary	Iceland	India	Indonesia	Islamic Republic of Iran	Iraq	Ireland	Israel	Italy	Jamaica	Japan	Jordan	Kazakhstan	Kenya	Kiribati
Status under IMF Articles of Agreement																						
Article VIII	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•
Article XIV													•									
Exchange Rate Arrangements																						
No separate legal tender																						✚
Currency board	◊																					
Conventional peg				▲															◊			
Stabilized arrangement		◊			◊								◊									
Crawling peg																						
Crawl-like arrangement						◊	◊										◊			◊		
Pegged exchange rate within horizontal bands																						
Other managed arrangement			•									*										
Floating								•	•	•	•				•						•	
Free floating														⊕		⊕		•				
Exchange rate structure																						
Dual exchange rates			•																			
Multiple exchange rates																						
Arrangements for Payments and Receipts																						
Bilateral payments arrangements		•	•		•		•			•			•						•			
Payments arrears			•		•				•				•								•	
Controls on payments for invisible transactions and current transfers	•		•	•			•		•	•		•	•					•		•		
Proceeds from exports and/or invisible transactions																						
Repatriation requirements	•		•	•			•		•	•	•									•		■
Surrender requirements	•			•			•			•												
Capital Transactions																						
Controls on:																						
Capital market securities	•		•	•			•	•	•	•	•	•	•		•		•	•		•	•	•
Money market instruments	•		•	•			•	•	•	•	•	•					•	•		•	•	•
Collective investment securities	•		•	•			•	•	•	•	•	•				•	•	•		•	•	•
Derivatives and other instruments	•		•	•					•	•	•	–			•		•	•		•	•	•
Commercial credits	•		•	•	•		•			•	•	•					•			•		•
Financial credits	•		•	•	•		•	•	•	•	•	•					•	•		•		•
Guarantees, sureties, and financial backup facilities	•		•	•	•		•		•	•	•	•					•					•
Direct investment	•		•	•			•	•	•	•	•	•	•	•		•	•	•	•	•	•	•
Liquidation of direct investment	•								•	•		•	•				•					■
Real estate transactions	•		•	•			•	•	•	•	•	•	•	•	•		•	•	•		•	•
Personal capital transactions	•		•	•					•	•		•					•			•		■
Provisions specific to:																						
Commercial banks and other credit institutions	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•		•	•	•	■
Institutional investors		•	–	•	–		•	•	•	•	•	–			•	•	•	•	•	•	•	–

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; see symbol key at end of table)

	Korea	Kosovo	Kuwait	Kyrgyz Republic	Lao P.D.R.	Latvia	Lebanon	Lesotho	Liberia	Libya	Lithuania	Luxembourg	FYR Macedonia	Madagascar	Malawi	Malaysia	Maldives	Mali	Malta	Marshall Islands	Mauritania	Mauritius
Status under IMF Articles of Agreement																						
Article VIII	●		●	●	●	●	●	●		●	●	●	●	●	●	●		●	●	●	●	●
Article XIV		●							●								●					
Exchange Rate Arrangements																						
No separate legal tender		▲																		◊		
Currency board											❖											
Conventional peg			*			❖		✚		○								▲				
Stabilized arrangement					◊		◊						▲				◊					
Crawling peg																						
Crawl-like arrangement																						
Pegged exchange rate within horizontal bands																						
Other managed arrangement				●					◊						●	●					●	
Floating	●													●								●
Free floating												⊕							⊕			
Exchange rate structure																						
Dual exchange rates														●	●		●					
Multiple exchange rates																						
Arrangements for Payments and Receipts																						
Bilateral payments arrangements				●	●					●			●	●		●					●	
Payments arrears				●	–				●					●								
Controls on payments for invisible transactions and current transfers		●			●			●		●			●		●	●		●			●	
Proceeds from exports and/or invisible transactions																						
Repatriation requirements	●				●			●		●				●	●	●		●			●	
Surrender requirements					●			●		●					●			●				
Capital Transactions																						
Controls on:																						
Capital market securities	●	●	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	–	●	●
Money market instruments			●	●	●		●	●		●	●	●	●	●	●	●		●		–	●	●
Collective investment securities			●	●	●		●	●		●	●	●	●	●	●	●		●		–	■	●
Derivatives and other instruments			●	■	●		●	■		■	●	●	●	●	●	●	■	●		–	■	
Commercial credits				●	●		●	●		●				●	●	●		●		–		
Financial credits				●	●		●	●		●		●		●	●	●	●	●		–	●	
Guarantees, sureties, and financial backup facilities							●			●			●	●	●	●		●		–	●	
Direct investment	●		●	●	●	●	●	●		●	●	●	●	●	●	●	●	●		●	●	●
Liquidation of direct investment										●				●						–		
Real estate transactions			●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●
Personal capital transactions					●			●		●	●		●	●	●	●	●	●		–	●	
Provisions specific to:																						
Commercial banks and other credit institutions	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	–	●	●
Institutional investors	●	●		●	–	●	●	●		●	●	●	●	–		●	–	●	●	●	–	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first page of country chapter; see symbol key at end of table)

	Mexico	Micronesia	Moldova	Mongolia	Montenegro	Morocco	Mozambique	Myanmar	Namibia	Nepal	Netherlands	New Zealand	Nicaragua	Niger	Nigeria	Norway	Oman	Pakistan	Palau	Panama	Papua New Guinea	Paraguay
Status under IMF Articles of Agreement Article VIII	●	●	●	●	●	●	●		●	●	●	●	●	●		●	●	●	●	●	●	●
Article XIV								●							●							
Exchange Rate Arrangements																						
No separate legal tender		◊			▲														◊	◊		
Currency board																						
Conventional peg						*			✚	✚				▲			◊					
Stabilized arrangement																						
Crawling peg													◊									
Crawl-like arrangement																						
Pegged exchange rate within horizontal bands																						
Other managed arrangement								●							●							●
Floating			●	●			●											●			●	
Free floating	●										⊕	●				●						
Exchange rate structure Dual exchange rates								●														
Multiple exchange rates				●											●							
Arrangements for Payments and Receipts Bilateral payments arrangements	●		●	●									●								●	
Payments arrears				●				●					●									
Controls on payments for invisible transactions and current transfers			●		●	●	●	●	●	●				●	●			●			●	●
Proceeds from exports and/or invisible transactions Repatriation requirements			●			●	●	●	●	●				●	●			●				
Surrender requirements						●	●		●	●				●	●			●				
Capital Transactions Controls on: *Capital market securities*	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●				●
Money market instruments	●	■	●		●	●	●	●	●	●				●	●			●				●
Collective investment securities	●		●			●	●	●	●	●				●				●				
Derivatives and other instruments	●		●	–		●	●	●	●	●				●		●	●	●				
Commercial credits		■	●			●	●	●	●	●			●	●	●			●				
Financial credits	●	■	●			●	●	●	●	●			●	●				●				●
Guarantees, sureties, and financial backup facilities	●	■	●			●	●	●	●	●				●				●			●	●
Direct investment	●	●	●			●	●	●	●	●	●	●	●	●		●	●	●	●			
Liquidation of direct investment			●				●	●		●				●	●							
Real estate transactions	●	●	●	●	●	●	●	●	●	●		●		●		●	●	●	●			●
Personal capital transactions	●	■	●	●		●	●	●	●	●			●	●	●	●		●				
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●		●	●	●	●	●			●	●	●	●	●	●			●	●
Institutional investors	●	–	●	–	●	●	●	–	●	●		●	●	●	–	●	–	●	●		●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first page of country chapter; see symbol key at end of table)

	Peru	Philippines	Poland	Portugal	Qatar	Romania	Russia	Rwanda	Samoa	San Marino	São Tomé and Príncipe	Saudi Arabia	Senegal	Serbia	Seychelles	Sierra Leone	Singapore	Slovak Republic	Slovenia	Solomon Islands	Somalia	South Africa
Status under IMF Articles of Agreement Article VIII	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●		●
Article XIV											●										●	
Exchange Rate Arrangements																						
No separate legal tender										▲												
Currency board																						
Conventional peg					◊				*		▲	◊	▲									
Stabilized arrangement																						
Crawling peg																						
Crawl-like arrangement								◊														
Pegged exchange rate within horizontal bands																						
Other managed arrangement							●										*			●		
Floating	●	●				●								●	●	●						●
Free floating			●	⊕														⊕	⊕		●	
Exchange rate structure Dual exchange rates																					●	
Multiple exchange rates											●					●						
Arrangements for Payments and Receipts Bilateral payments arrangements	●	●	●		●	●	●				●				●				●		–	
Payments arrears							●				●			●	●						–	
Controls on payments for invisible transactions and current transfers		●	●					●	●				●	●		●		●		●		●
Proceeds from exports and/or invisible transactions Repatriation requirements		●					●	●	●		●		●	●		●				●		●
Surrender requirements		●							●				●							●		●
Capital Transactions Controls on: *Capital market securities*		●	●	●	●		●		●	●		●	●	●		●		●	●	●		●
Money market instruments		●	●				●		●	●		●	●	●		●			●	●		●
Collective investment securities		●	●	●			●		●	●		●	●	●		●		●	●	●	–	●
Derivatives and other instruments	●	●	●		●					●		●	●	●		■			●	●	–	●
Commercial credits		●	●							●	–	●	●									●
Financial credits		●	●							●	–	●	●	●		●	●		●	●		●
Guarantees, sureties, and financial backup facilities		●									–	●	●	●		●				●		●
Direct investment		●	●	●	●		●		●	●	●	●	●	●		●		●	●	●		●
Liquidation of direct investment									●					●						●		
Real estate transactions		●	●	●	●	●			●	●	●	●	●	●	●	●	●	●	●	●		●
Personal capital transactions		●	●		●				●	●	●		●	●		●				●	–	●
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	–	●
Institutional investors	●	●	●	●	●	●	–	●	●	●	–	●	●	●		–	●	●	●	●	–	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; see symbol key at end of table)

	Spain	Sri Lanka	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines	Sudan	Suriname	Swaziland	Sweden	Switzerland	Syria	Tajikistan	Tanzania	Thailand	The Bahamas	Timor-Leste	Togo	Tonga	Trinidad and Tobago	Tunisia	Turkey	Turkmenistan
Status under IMF Articles of Agreement Article VIII	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Article XIV											●											●
Exchange Rate Arrangements																						
No separate legal tender																◊						
Currency board			◊	◊	◊																	
Conventional peg								✚							◊		▲					◊
Stabilized arrangement							◊					◊							◊			
Crawling peg																						
Crawl-like arrangement																				*		
Pegged exchange rate within horizontal bands																		*				
Other managed arrangement						●				●	*											
Floating		●											●	●							●	
Free floating	⊕								●													
Exchange rate structure Dual exchange rates							●				●				●							
Multiple exchange rates						●																
Arrangements for Payments and Receipts Bilateral payments arrangements						●					●		●								●	●
Payments arrears													●									●
Controls on payments for invisible transactions and current transfers		●	●	●	●	●	●	●			●	●	●	●	●		●	●		●	●	●
Proceeds from exports and/or invisible transactions Repatriation requirements			●		●	●	●	●			●	●	●	●	●		●			●		●
Surrender requirements			●		●			●			●				●		●					●
Capital Transactions Controls on: *Capital market securities*	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●
Money market instruments	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●		●	●	●
Collective investment securities	●	●	●	●	●	■	●	●	●	●	●	●	●	●	●		●	●		●	●	●
Derivatives and other instruments	●	●	■	●		■	●	●	●	●	●	●	●	●	●		●	●		●	●	–
Commercial credits		●		●	●		●	●			●	●	●		●		●	●		●	●	●
Financial credits	●	●	●	●	●		●	●	●	●	●	●	●	●	●		●	●		●	●	●
Guarantees, sureties, and financial backup facilities		●		●	●		●	●			●		●	●	●		●	●		●		●
Direct investment	●	●	●	●	●		●	●	●	●	●	●	●	●	●		●	●	●	●	●	●
Liquidation of direct investment		●		–			●						●					●				●
Real estate transactions	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Personal capital transactions		●	●	●	●	●	●	●			●	●	●	●	●		●	●		●		–
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●
Institutional investors	●	●	●	●	●	●	●	●	●	●	–		●	●	●	–	●	–	●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first page of country chapter; see symbol key at end of table)

	Tuvalu	Uganda	Ukraine	United Arab Emirates	United Kingdom	United States	Uruguay	Uzbekistan	Vanuatu	Venezuela	Vietnam	Yemen	Zambia	Zimbabwe	Aruba	Hong Kong SAR	Curaçao and Sint Maarten
Status under IMF Articles of Agreement																	
Article VIII		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Article XIV	•																
Exchange Rate Arrangements																	
No separate legal tender	✚													◊			
Currency board																◊	
Conventional peg				◊						◊					◊		◊
Stabilized arrangement			◊								◊						
Crawling peg																	
Crawl-like arrangement								◊									
Pegged exchange rate within horizontal bands																	
Other managed arrangement									*			•					
Floating		•					•						•				
Free floating					•	•											
Exchange rate structure																	
Dual exchange rates			•							•							
Multiple exchange rates								•									
Arrangements for Payments and Receipts																	
Bilateral payments arrangements	–	•	•			•	•		■	•	•			•			
Payments arrears	–	•							■			•	•				
Controls on payments for invisible transactions and current transfers	–		•					•	■	•	■				•		•
Proceeds from exports and/or invisible transactions																	
Repatriation requirements	–		•					•	■	•	•			•	•		
Surrender requirements	–		•					•	■	•					•		
Capital Transactions																	
Controls on:																	
Capital market securities	–		•	•		•		•	■	•	•			•	•		•
Money market instruments	–		•			•		•	■	•	•			•	•		•
Collective investment securities	–		•	•		•		•	■	•	•			•	•		•
Derivatives and other instruments	–		•			•		■	■	•	•			•	•	•	•
Commercial credits	–		•					•	■	•	•			•	•		•
Financial credits	–		•					•	■	•	•	•		•	•		•
Guarantees, sureties, and financial backup facilities	–		•			•		•	■	•	•			•	•		•
Direct investment	–		•	•	•	•		•	■	•	•	•		•	•		•
Liquidation of direct investment	–		•					•	■	•				•	•		•
Real estate transactions	–	•	•	•		•		•	■		•			•	•		
Personal capital transactions	–		•					•	■	•	•			•	•		•
Provisions specific to:																	
Commercial banks and other credit institutions	–	•	•	•	•		•	•	■	•	•	•	•	•	•	•	•
Institutional investors	–		•	–	•	•	•	•	■	•	•	•		•	•	•	•

Key

- • Indicates that the specified practice is a feature of the exchange system.
- – Indicates that data were not available at the time of publication.
- ■ Indicates that the specified practice is not regulated.
- ⊕ Indicates that the country participates in the euro area.
- ❖ Indicates that the country participates in the European Exchange Rate Mechanism (ERM II).
- ◊ Indicates that flexibility is limited vis-à-vis the U.S. dollar.
- ▲ Indicates that flexibility is limited vis-à-vis the euro.
- ✚ Indicates that flexibility is limited vis-à-vis another single currency.
- ○ Indicates that flexibility is limited vis-à-vis the SDR.
- ✶ Indicates that flexibility is limited vis-à-vis another basket of currencies.

Country Table Matrix

Status under IMF Articles of Agreement

Article VIII
Article XIV

Exchange Measures

Restrictions and/or multiple currency practices

Exchange measures imposed for security reasons

In accordance with IMF Executive Board Decision No. 144-(52/51)

Other security restrictions

References to legal instruments and hyperlinks

Exchange Arrangement

Currency

Other legal tender

Exchange rate structure

Unitary

Dual

Multiple

Classification

No separate legal tender

Currency board

Conventional peg

Stabilized arrangement

Crawling peg

Crawl-like arrangement

Pegged exchange rate within horizontal bands

Other managed arrangement

Floating

Free floating

Official exchange rate

Monetary policy framework

Exchange rate anchor

Monetary aggregate target

Inflation-targeting framework

Other monetary framework

Exchange tax

Exchange subsidy

Foreign exchange market

Spot exchange market

Operated by the central bank

Foreign exchange standing facility

Allocation

Auction

Fixing

Interbank market

Over the counter

Brokerage

Market making

Forward exchange market

Official cover of forward operations

References to legal instruments and hyperlinks

Arrangements for Payments and Receipts

Prescription of currency requirements

Controls on the use of domestic currency

For current transactions and payments

For capital transactions

Transactions in capital and money market instruments

Transactions in derivatives and other instruments

Credit operations

Use of foreign exchange among residents

Payments arrangements

Bilateral payments arrangements

Operative

Inoperative

Regional arrangements

Clearing agreements

Barter agreements and open accounts

Administration of control

Payments arrears

Official

Private

Controls on trade in gold (coins and/or bullion)

On domestic ownership and/or trade

On external trade

Controls on exports and imports of banknotes

On exports

Domestic currency

Foreign currency

On imports

Domestic currency

Foreign currency

References to legal instruments and hyperlinks

Resident Accounts

Foreign exchange accounts permitted

Held domestically

Approval required

Held abroad

Approval required

Accounts in domestic currency held abroad

Accounts in domestic currency convertible into foreign currency

References to legal instruments and hyperlinks

Nonresident Accounts

Foreign exchange accounts permitted

Approval required

Domestic currency accounts

Convertible into foreign currency

Approval required

Blocked accounts

References to legal instruments and hyperlinks

Imports and Import Payments

Foreign exchange budget

Financing requirements for imports

Minimum financing requirements

Advance payment requirements

Advance import deposits

Documentation requirements for release of foreign exchange for imports

Domiciliation requirements

Preshipment inspection

Letters of credit

Import licenses used as exchange licenses

Other

Import licenses and other nontariff measures

Positive list

Negative list

Open general licenses

Licenses with quotas

Other nontariff measures

Import taxes and/or tariffs

Taxes collected through the exchange system

State import monopoly

References to legal instruments and hyperlinks

Exports and Export Proceeds

Repatriation requirements

Surrender requirements

Surrender to the central bank

Surrender to authorized dealers

Financing requirements

Documentation requirements

Letters of credit

Guarantees

Domiciliation

Preshipment inspection

Other

Export licenses

Without quotas

With quotas

Export taxes

Collected through the exchange system

Other export taxes

References to legal instruments and hyperlinks

Payments for Invisible Transactions and Current Transfers

Controls on these transfers

Trade-related payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

Investment-related payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

Payments for travel

Prior approval

Quantitative limits

Indicative limits/bona fide test

Personal payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

Foreign workers' wages

Prior approval

Quantitative limits

Indicative limits/bona fide test

Credit card use abroad

Prior approval

Quantitative limits

Indicative limits/bona fide test

Other payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

References to legal instruments and hyperlinks

Proceeds from Invisible Transactions and Current Transfers

Repatriation requirements

Surrender requirements

Surrender to the central bank

Surrender to authorized dealers

Restrictions on use of funds

References to legal instruments and hyperlinks

Capital Transactions

Controls on capital transactions

Repatriation requirements

Surrender requirements

Surrender to the central bank

Surrender to authorized dealers

Controls on capital and money market instruments

On capital market securities

Shares or other securities of a participating nature

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

Bonds or other debt securities

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

On money market instruments

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

On collective investment securities

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

Controls on derivatives and other instruments

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

Controls on credit operations

Commercial credits

By residents to nonresidents

To residents from nonresidents

Financial credits

By residents to nonresidents

To residents from nonresidents

Guarantees, sureties, and financial backup facilities

By residents to nonresidents

To residents from nonresidents

Controls on direct investment

Outward direct investment

Inward direct investment

Controls on liquidation of direct investment

Controls on real estate transactions

Purchase abroad by residents

Purchase locally by nonresidents

Sale locally by nonresidents

Controls on personal capital transactions

Loans

By residents to nonresidents

To residents from nonresidents

Gifts, endowments, inheritances, and legacies

By residents to nonresidents

To residents from nonresidents

Settlement of debts abroad by immigrants

Transfer of assets

Transfer abroad by emigrants

Transfer into the country by immigrants

Transfer of gambling and prize earnings

References to legal instruments and hyperlinks

Provisions Specific to the Financial Sector

Provisions specific to commercial banks and other credit institutions

Borrowing abroad

Maintenance of accounts abroad

Lending to nonresidents (financial or commercial credits)

Lending locally in foreign exchange

Purchase of locally issued securities denominated in foreign exchange

Differential treatment of deposit accounts in foreign exchange

Reserve requirements

Liquid asset requirements

Interest rate controls

Credit controls

Differential treatment of deposit accounts held by nonresidents

Reserve requirements

Liquid asset requirements

Interest rate controls

Credit controls

Investment regulations

Abroad by banks

In banks by nonresidents

Open foreign exchange position limits

On resident assets and liabilities

On nonresident assets and liabilities

Provisions specific to institutional investors

Insurance companies

Limits (max.) on securities issued by nonresidents

Limits (max.) on investment portfolio held abroad

Limits (min.) on investment portfolio held locally

Currency-matching regulations on assets/liabilities composition

Pension funds

Limits (max.) on securities issued by nonresidents

Limits (max.) on investment portfolio held abroad

Limits (min.) on investment portfolio held locally

Currency-matching regulations on assets/liabilities composition

Investment firms and collective investment funds

Limits (max.) on securities issued by nonresidents

Limits (max.) on investment portfolio held abroad

Limits (min.) on investment portfolio held locally

Currency-matching regulations on assets/liabilities composition

References to legal instruments and hyperlinks

Changes during 2011

Status under IMF Articles of Agreement

Exchange measures

Exchange arrangement

Arrangements for payments and receipts

Resident accounts

Nonresident accounts

Imports and import payments

Exports and export proceeds

Payments for invisible transactions and current transfers

Proceeds from invisible transactions and current transfers

Capital transactions

Controls on capital and money market instruments

Controls on derivatives and other instruments

Controls on credit operations

Controls on direct investment

Controls on liquidation of direct investment

Controls on real estate transactions

Controls on personal capital transactions

Provisions specific to the financial sector

Provisions specific to commercial banks and other credit institutions

Provisions specific to institutional investors

Changes during 2012

Status under IMF Articles of Agreement

Exchange measures

Exchange arrangement

Arrangements for payments and receipts

Resident accounts

Nonresident accounts

Imports and import payments

Exports and export proceeds

Payments for invisible transactions and current transfers

Proceeds from invisible transactions and current transfers

Capital transactions

Controls on capital and money market instruments

Controls on derivatives and other instruments

Controls on credit operations

Controls on direct investment

Controls on liquidation of direct investment

Controls on real estate transactions

Controls on personal capital transactions

Provisions specific to the financial sector

Provisions specific to commercial banks and other credit institutions

Provisions specific to institutional investors